



PROGRAMME FOR NON-CASH PAYMENTS DEVELOPMENT IN POLAND FOR THE YEARS 2014-2020

Part 2

Operational Plan for 2016-2018

Warsaw, December 2015

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List of abbreviations:

BFG – Bank Guarantee Fund

FDNP – Foundation for the Development of Non-cash Payments

KAR – Committee of Acquirers

KIG – Polish Chamber of Commerce

KIR – National Clearing House

Coalition – Coalition for the Development of Non-cash Payments and Micropayments

KRUS – Agricultural Social Insurance Fund

KZBS – National Association of Cooperative Banks

SMEs – **small and** medium-sized enterprises

NBP – Narodowy Bank Polski

PAD (The Payment Accounts Directive) – the Directive of the European Parliament and of the Council 2014/92/UE of 23 July 2014 on the transparency and comparativeness of payments associated with maintaining a payment account, transferring a payment account and access to a basic payment account.

Plan – Operational Plan for 2016-2018

PNPIO – Polish Non-banking Payment Institution Organisation

Programme – Programme for Non-cash Payments Development in Poland for the years 2014 – 2020

PSP – Polski Standard Płatności Sp. z o. o.

ZBP – Polish Bank Association

ZPP – Association of Employers and Entrepreneurs

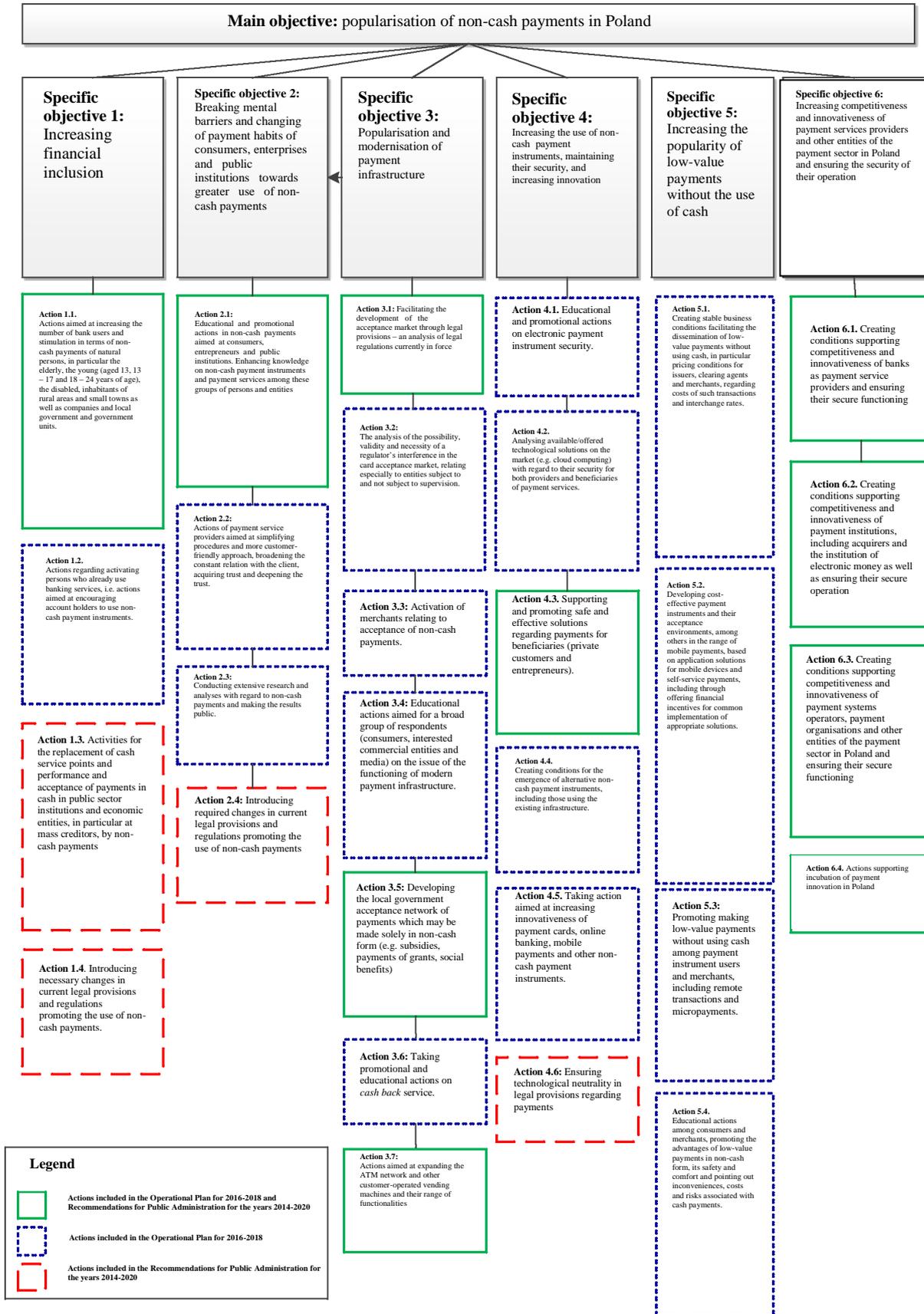
ZUS – Social Insurance Institution

Introduction

According to the assumption adopted by the Coalition for Non-Cash Payments and Micropayments in 2013, due to the need to take into account the changing external environmental and social factors, the development of three 3-year operational plans was envisaged for the course of the *Programme for Non-cash Payments Development in Poland for the Years 2014-2020*. The *Operational Plan for 2016-2018* is the second of this type of document within the framework of the *Programme*. These plans include tasks dedicated to non-governmental entities and institutions, in particular market participants, recommended for implementation within the prescribed period of 3 years.

The *Operational Plan for 2016-2018* is largely a continuation of the actions and activities that were included in the first plan, i.e. *Operational Plan for 2014-2016*. In addition, the *Operational Plan for 2016-2018* identified and formulated new actions and activities, and a new specific objective, Objective 5, concerning the development of non-cash payments involving small amounts, called micropayments. The priorities of the presented Plan, next to micropayments, are also activities to increase the use of banking services and activation of young people (in three age groups), continuation of activities in relation to older people in this area, the development of the offer and conducting educational activities for microentrepreneurs.

Map of the Programme



Specific Objective 1 - Increasing financial inclusion

Action 1.1. Taking measures aimed at increasing the number of bank users and stimulation in terms of non-cash payments of natural persons, in particular the elderly, the young (aged 13, 13-17 and 18-24 years of age), the disabled, inhabitants of rural areas and small towns as well as companies and general government administration entities.

The group least using banking services consists mostly of the elderly, young people, especially in the age group 18-24, pensioners, people with disabilities and residents of rural areas and small towns. No less important than having a bank account is the ability and the habit of using it and the basic payment services that accompany it (transfers, payment cards). Activation in this regard applies not only to individuals but also to companies and general government administration entities.

The reasons for such a low level of banking services use stem from social awareness as well as a rooted habit of using cash, resulting from historical factors. Additional factors not favouring use of banking services are low level of savings, lack of steady income, and legal regulations that define cash payments as a basic form of settlement. In terms of public reception, the costs of maintaining a bank account are a barrier for people not using banking services. This is the case in many European countries. In Poland, owing to high competitiveness of the banking sector and its high efficiency, the costs of maintaining a bank account are on the average level in Europe, and free-of-charge accounts have been practically in use for years.

The high competitiveness of the payment services sector in Poland results in introducing new payment products, also for social groups previously without a dedicated product (for example, children, adolescents, the disabled). This trend should be consistently continued by payment service providers. Greater pressure should be put on the development of offers for young people, mainly in the group of 18-24 years of age, the elderly, the disabled and microentrepreneurs as well as activation of these groups.

Banks have recently invested or are investing in modernizing the electronic banking channels, *contact centers* and the development of mobile banking. Using those channels should be even more intuitive and consumer friendly, also to the elderly, owing to these modernizations. The development of mobile

banking will cause, in the long term, that clients will not need to have a classic computer, replacing it with a potentially cheaper mobile device.

Amendments to current legal regulations and regulations promoting non-cash payments, as well as encouraging both consumers and entrepreneurs to use non-cash payments would contribute to a significant acceleration of non-cash payments.

Detailed activities described in this action should facilitate not only the development of product offers while ensuring low costs of basic products in the Polish payment sector, but primarily facilitate reaching effectively to people not using banking services with an offer suited for the needs of individual groups.

In particular, payment service providers should ensure that modern service channels (such as online banking or mobile applications), as well as payment instruments, ATMs, etc. are designed in a way that ensures friendly access for consumers with different needs (arising from old age, disability or little financial or technological knowledge).

The implementation of actions described in the *Programme* will cause a broadening of people having bank accounts and the possibility of those people using non-cash payment instruments.

At the same time, the attempt should be made to assess the possibility of linking identification documents with the payment instrument in order to allow the issuance of such related documents by the suppliers.

Educational activities for financial inclusion are extremely important, and they should focus not only on encouraging consumers to open an account, but also to actively use it.

Proposed scope and schedule of implementing Action 1.1.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|--|--|-------------------|
| 1. | Effective implementation of the PAD by payment service providers after its implementation into national law | Payment service providers | 2016-2018 |
| 2. | Publishing semi-annual studies analyzing the pricing policy of banks for standard products and banking services, identifying the average price for maintaining a standard account and using non-cash payment instruments | NBP | Twice a year |
| 3. | Publishing studies analyzing the pricing policy of banks in the field of standard banking products and services for microenterprises and SMEs, identifying the average cost of running a standard account | NBP | Once a year |
| 4. | Developing offers of payment service providers aimed at children and adolescents | Payment service providers | Continuous action |
| 5. | Taking actions to encourage children, adolescents and their legal guardians to use payment services | Payment service providers and organizations associating them, including ZBP and KZBS | Continuous action |
| 6. | Taking actions by payment service providers to promote and make products aimed at young people of 18-24 years of age attractive | Payment service providers | Continuous action |
| 7. | Enlarging offers by payment service providers of products aimed at the elderly (+65) and developing friendly solutions facilitating the use of remote channels by the elderly | Payment service providers and organizations associating them, including ZBP and KZBS and PNPIO | Continuous action |
| 8. | The extension of the payment service providers offer, including accounts dedicated to microenterprises | Payment service providers and their associations | Continuous action |

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|-----|--|---|-------------------|
| 9. | Evaluation of the possibility of linking identification documents with the payment instrument in order to allow the issuance of such documents by related providers | Issuers of identification documents, payment service providers, payment organisations | 2016-2018 |
| 10. | Updating and sharing best practices of services for people with disabilities | ZBP, KZBS, PNPIO | Continuous action |
| 11. | Implementation of best practices of services for people with disabilities | Payment service providers | Continuous action |
| 12. | Educational activities for financial inclusion | ZBP in cooperation with NBP, payment organisations, organisations of merchants and other interested parties | Continuous action |
| 13. | Development of independent comparison services for fees associated with payment accounts (in the context of the PAD) | Interested parties | Continuous action |
| 14. | Adjustment of the offer of payment service providers to the needs of the agricultural sector, rural areas and small towns | Payment service providers | Continuous action |
| 15. | Allowing the use of computers with access to the internet or to other devices that enable access to remote channels of access to financial services in banks and post offices | Banks, postal service providers | Continuous action |
| 16. | Ensuring by payment service providers modern service channels and payment instruments, designed in a way that ensures friendly access for consumers with different needs (arising from old age, disability or little financial or technological knowledge) | Payment service providers | Continuous action |

Action 1.2. Actions regarding activating persons who already use banking services, i.e. actions aimed at encouraging account holders to use non-cash payment instruments

Increasing the level of banking services usage is a prerequisite for the development of non-cash payments, but it is not sufficient. Of key importance is the ability and the habit of using the services made available through a bank account or as part of a shared payment instrument, in particular basic payment services (bank transfers, credit cards). Therefore, measures aimed at increasing the number of new users should be accompanied by initiatives aimed at activating people who have bank accounts/ payment instruments, but do not use them.

Already, Polish banks charge a fee for carrying out banking operations through modern payment instruments and modern service channels (such as electronic banking) much lower than in the case of "traditional" services or even charge no fees at all. The objective of payment service providers should be to maintain this positive trend in the face of developing new payment instruments and service channels.

Besides influencing the payment habits of consumers through the mechanisms of lowering fees, providers should also conduct other activities convincing consumers to use payment cards and innovative payment instruments.

Ensuring a wide availability of various types of services is in many cases crucial for the activation of certain groups of customers.

Also upgrades introduced to the existing service channels/instruments should be implemented taking into account the specific needs of customers using them.

Proposed scope and schedule of implementing Action 1.2.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|---|-----------------------------------|-------------------|
| 1. | Actions to encourage those already using banking services but who do not have credit cards or other non-cash payment instruments, to start using them | Payment service providers | Continuous action |
| 2. | Actions to encourage those already using banking services, but who do not have access to online banking to acquire access and actively use it | Payment service providers | Continuous action |

Specific Objective 2 – Breaking mental barriers and changing of payment habits of consumers, enterprises and public institutions towards greater use of non-cash payments

Action 2.1. Educational and promotional actions in non-cash payments aimed at consumers, entrepreneurs and public institutions. Enhancing knowledge on non-cash payment instruments and payment services among these groups of people and entities

Despite the growing popularity of non-cash payment forms and the improvement of the level of knowledge about non-cash payments, the share of this form of settling liabilities is not entirely satisfactory and therefore education and promotion of such payments require both the continuation of old as well as introducing new measures. Although the level of security of the Polish payment sector is objectively high and the number of card frauds is amongst the lowest in Europe, the public opinion still harbors doubts regarding the systemic safety of non-cash payments. The introduced new payment technologies, e.g. mobile payments, require continuous educational campaigns, as omissions in this area often generate false opinions, fueled by not always competent and responsible media messages that lower public confidence in these products.

Actions foreseen in the *Programme* are aimed at supporting programmes and projects enhancing consumer knowledge and confidence in electronic payments, including in particular newly marketed payment technologies. Payment service providers and public institutions (central and local government) should have a coordinated and transparent information policy in this regard. Efforts should be aimed at efficient exchange of information, training materials, best practices and responsible and partner-like treatment of customers. Coordination and collaboration of interested institutions and communities in the production and distribution of training materials and preparation of actions/educational or promotional campaigns remains weak. The result of the joint action of many actors could become a nationwide action, which could consist in dedicating one day of the year for the promotion of non-cash payments by avoiding paying cash, for example under the name “No Cash Day.”

Efforts should be made to use new best practices, relevant to the diverse needs of specific age groups or communities, regarding possible uses of non-cash forms of payment, and raising awareness about them. Surveys and analyses by NBP show that the percentage of people between 0-17 years of age, i.e. children and young people, who have a bank account is negligible. These same surveys show that young people do not have proper theoretical and practical knowledge on finance and banking. Therefore, the Plan recommends more attention to schools and universities in this area, as well as getting a similar message to parents because they are the point of reference for children or even make decisions for them. It is worth noting that in an area with such high dynamics of changes, as is the

case in the group of payment services based on modern non-cash technologies, future actions should be timely consulted with interested parties. This requires the cooperation of state authorities (in particular the legislative branch, creating institutional and legal framework) with merchants and the financial services sector and providers of new solutions.

An equally important matter from the point of view of a participant in non-cash payments is the popularisation of knowledge regarding the safe performance of non-cash payments, especially their new tools. It is necessary to raise awareness of users of non-cash payment forms that the safety to make transactions is dependent on themselves and even the best technological safety measures will fail in case of reckless human behaviour. Promoting specified standards of behaviour will facilitate the reduction or elimination of non-cash crime, simultaneously influencing the increase of the level of client confidence in non-cash payment forms.

Proposed scope and schedule of implementing Action 2.1.

I. Educational actions:

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|---|---|-------------------|
| 1. | Continuation of the "Accessible Finances" Academy's educational campaign, addressed to, apart from the elderly, also to young people | NBP in cooperation with ZBP and BFG | 2016-2018 |
| 2. | Educational activities in the field of personal finance, including "classes about personal finance" at schools and universities | Payment service providers, schools of higher education, universities, non-governmental organisations, foundations, ZBP, Warsaw Institute of Banking, other interested parties | Continuous action |
| 3. | Extending and supplementing the "Bacillus" project about issues regarding cashless payments | Warsaw Institute of Banking | 2016-2018 |
| 4. | Preparation and presentation of information materials dedicated to non-cash payments and micropayments on specialised portals aimed at children and young people and students | Payment service providers, schools of higher education, universities, non-governmental organisations, foundations, ZBP, Warsaw Institute of Banking, other interested parties | 2016-2018 |

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| 5. | Preparation of information materials dedicated to non-cash payments and micro-payments and transferring them to <i>Scholaris</i> , the portal for teachers | ZBP and NBP | 2016-2018 |
| 6. | Developing content related to non-cash transactions and submitting it for inclusion in the "e-Manual for general education" (under the "Digital School" Programme), prepared by the University of Wrocław | NBP and ZBP | 2016-2018 |
| 7. | Conducting educational activities aimed at parents | Payment service providers, schools of higher education, universities, non-governmental organisations, foundations, ZBP, Warsaw Institute of Banking, other interested parties | Continuous action |
| 8. | Conducting educational activities aimed at pensioners | ZUS in cooperation with financial institutions and other interested parties | Continuous action |
| 9. | Conducting educational activities targeted at people employed in agriculture and the rural population | KZBS, KRUS, banks, in particular cooperative banks | Continuous action |
| 10. | Adapting the banking offer to the needs of the agricultural sector and rural areas | Banks, in particular cooperative banks | Continuous action |
| 11. | Preparing and conducting a broad, nationwide educational campaign regarding the safety of funds deposited to payment accounts | PNPIO, National Association of Credit Unions (KSKOK) | Continuous action |
| 12. | Popularisation of non-cash payments in Poland and education regarding their development under the NBP Money Centre project | NBP | From 2016 |

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| 13. | Running a program by non-governmental institutions in terms of equipping: public facilities, e.g. libraries, people with disabilities and the elderly, in computer workstations and other devices enabling the use of electronic means of communication, especially in small towns and rural areas | Non-governmental institutions, The Book Institute, libraries | Continuous action |
| 14. | Conducting educational activities, including e.g. the development of generally available guides relating to financial inclusion or activation of different age groups, professional or local communities in order to increase the use of non-cash payment instruments | ZBP in cooperation with NBP, other initiatives of the industry | Continuous action |
| 15. | Conducting educational awareness-raising activities for customers, how to safely use accounts, credit cards, internet banking and mobile payments | Payment service providers, payment organisations, ZBP, KZBS, NBP | Continuous action |
| 16. | Conducting educational and promotional activities relating to the rights of consumers in the use of non-cash payments | Payment organisations, Consumer Federation, Chamber of e-Commerce, Bank Arbiter | Continuous action |
| 17. | Educational activities addressed to merchants and entrepreneurs on the wider use of non-cash instruments | KIG, chambers of commerce, organisations of entrepreneurs (e.g. ZPP), FDNP and other specialised foundations, social associations | Continuous action |
| 18. | Educational activities to inform merchants about the possible conditions of exclusive acceptance of payments made using non-cash instruments, having value as legal tender | KIG, chambers of commerce, organisations of entrepreneurs (e.g. ZPP), FDNP and other specialised foundations, social associations | Continuous action |

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| 19. | Educational awareness-raising activities for entrepreneurs, especially shops and service points, in the scope of a significant reduction in interchange fees due to the potentially existing belief about the high cost of accepting payment cards | Associations of merchants, payment organisations, acquirers | Continuous action |
| 20. | Conducting educational activities for local governments concerning the acceptance of payment cards | Acquirers, payment organisations and systems | Continuous action |
| 21. | Supporting the development of portals related to education and promotion of non-cash payments (e.g. NBPortal, Cashless.pl, Kartą sie opłaca, etc.). | Interested parties | Continuous action |
| 22. | Conducting educational activities with students as future 'educators', on benefits arising from the use of non-cash payments, including with regard to transparency, safety and efficiency of these payments | Interested parties | Continuous action |

II. Promotional actions:

| Item | Activity | Responsible organisation/s | Deadline |
|------|---|--|---------------------------------|
| 23. | The development and implementation of campaigns promoting non-cash payments of small amounts (i.e. micropayments) | PSP (payment organisations to be confirmed) | Continuous action |
| 24. | The "No Cash Day" Campaign | Members of the Coalition | Once a year, starting from 2016 |
| 25. | Promotional activities designed to enhance (indicate the advantages) non-cash instruments compared to cash | Payment service providers, payment organisations | Continuous action |

Action 2.2. Actions of payment service providers aimed at simplifying procedures and more customer-friendly approach, broadening the constant relation with the client, acquiring and deepening the trust

The need to take action by payment service providers in order to shape their partnership with clients, through e.g. transparent way of communication and presentation of business information in a clear and understandable manner, was recognized at the European level a few years ago. As a result of the consultation process conducted in this regard by the European authorities, a directive directly referring and recommending European countries to introduce uniform rules in the broad sense of communication with the client was created. It was noted that although the high level of competitiveness forces banks to create customer-friendly products and procedures, it is not always synonymous with building equal relations between the parties, resulting in the emergence of specific, not always positive, public opinions about the sector financial in the broad sense. The development of innovative access channels to payment services presents both an opportunity for greater customer satisfaction and building a positive image for the financial institution, but on the other hand, raises understandable concerns about the "new and unknown". That is why providers should continue to invest in innovative payment products and simultaneously simplify procedures and build mechanisms allowing to better identify the clients' needs and dispel their fears and doubts, not only in relation to payment services and the whole sector. The opportunity to shape and increase the knowledge about the client and his behaviour builds the client's trust also in relation to non-cash payments. That trust is based on building and keeping positive relations between the bank and the client.

Payment service providers should conduct a policy of transparent and stable way of behaviour with regard to the client, especially in terms of communication policy, in such a way that the information provided is transparent, understandable and acceptable. If legal regulations force a high level of complexity of the agreement on the payment service providers, as well as providing clients with a large amount of information, often of little usefulness, a way of ensuring such communication should be developed for the client not to feel lost in a maze of complex rules and wording. The providers should strive to present the required scope of information in an even more transparent way.

Proposed scope and schedule of implementing Action 2.2.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|-----------------|-----------------------------------|-----------------|
|-------------|-----------------|-----------------------------------|-----------------|

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|-----|--|---------------------------|-------------------|
| 1 . | Simplification of procedures, content of agreements and wording of regulations, as well as information intended for the clients, including e.g. manuals for specific, especially new payment instruments | Payment service providers | Continuous action |
| 2 . | A clear presentation of fees and charges for individual clients and the implementation of effective information mechanisms in this regard | Payment service providers | Continuous action |

Action 2.3. Conducting extensive research and analyses with regard to non-cash payments and making the results public

There is a need for periodic studies and analyses on non-cash payments. Technological development, new technologies in the payment system and characteristics, which are hard to describe qualitatively and quantitatively, of entities participating in payment transactions are greatly variable. Studies will also serve to measure phenomena that are hard to quantify and no statistical data on them are commonly available. Some studies are conducted on a European scale, for example by the European Central Bank, therefore there is a need to participate in such studies to obtain comparisons with other countries. Some research will be needed to find base indicators and check the target monitoring indicators for actions and activities defined in this *Programme*.

It is important to conduct further studies on costs of payment instruments also from their providers' perspective. Studying the social costs of cash and non-cash payments through various payment instruments is also a key matter. It must be emphasized that useful studies of payment habits of consumers have been conducted, as well as studies of costs incurred by the merchants. These studies clearly indicate why non-cash turnover in Poland is not developing as dynamically as one would hope for.

One should also continue to analyze the possibility of statutory amount limits on cash payments by natural persons and companies, at the same time observing their constitutional right to freedom of trade and regulations concerning legal tender.

Proposed scope and schedule of implementing Action 2.3.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|-----------------|-----------------------------------|-----------------|
|-------------|-----------------|-----------------------------------|-----------------|

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|-----|--|--|-------------------|
| 1 . | Conducting a survey on the level of confidence and the use of banking services by Poles, entitled <i>Attitudes of Poles towards non-cash payments</i> | NBP | 2016 |
| 2 . | Conducting a study on costs of payment instruments | NBP | 2016-2017 |
| 3 . | Conducting an analysis on the possibility of introducing amount limits on cash payments by natural persons in terms of benefits of such a solution from the point of view of natural persons as customers of banks. Supporting the Government in the scope of introducing relevant changes to regulations aimed at introducing amount limits for cash payments by natural persons. | ZBP | 2016 |
| 4 . | Supporting the activities of the Ministry of Finance on the introduction of amount limits for cash payments by enterprises | ZBP, NBP | 2016-2018 |
| 5 . | The study of e-commerce and m-commerce in Poland in terms of payment habits in domestic and cross-border payments | NBP, Chamber of e-Commerce | 2016-2017 |
| 6 . | Conducting by academic centres in Poland their own research related to non-cash payments and payment habits of Poles | Universities | Continuous action |
| 7 . | A comprehensive analysis of the validity of the existence of prepaid cards in the Polish market | NBP in cooperation with other entities | 2016 |

Specific Objective 3 – Popularisation and modernisation of payment infrastructure

Action 3.1. Facilitating the development of the acceptance market through legal regulations – an analysis of legal regulations currently in force

The development of non-cash payments results from the introduction of new technologies or new services by payment service providers. Many of these initiatives and innovations encountered the limitations of existing legislation, which was created at a time when there were no such solutions. On the other hand, the new legal regulations, usually because of the other purpose of their entry into force, may omit the issue of non-cash payments or insufficiently describe it compared to possible solutions. This applies equally to national rules and EU regulations.

Therefore, it is necessary to constantly monitor legislative work and involve active participation of all interested parties in the work on legislative initiatives or submitting their own conclusions. Under this objective, the interested parties from the payments market will be able to jointly and at a relatively small cost of their own significantly affect the development of the payment infrastructure.

The identification of these areas and specifying necessary changes in the regulations requires a lot of effort, but – from the point of view of the social interest – this effort is worth incurring.

Increasing security of settlements, reducing the gray economy, reducing the cost of cash servicing – these are very important arguments that are relevant for the functioning of the Polish economy.

Proposed scope and schedule of implementing Action 3.1.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|--|--|-----------------|
| 1 . | Analysis of legal regulations for existing barriers to the development of non-cash payments | ZBP, merchants, acquirers and other interested parties | 2016-2018 |
| 2 . | Identification and formulation of legal solutions, the introduction of which may be stimulating for the development of non-cash payments | ZBP, merchants, acquirers and other interested parties | 2016-2018 |

Action 3.2. The analysis of the possibility, validity and necessity of a regulator's interference in the card acceptance market, relating especially to entities subject to and not subject to supervision

The rapidly changing economic environment of functioning entities forces a constant analysis of legal regulations concerning their functioning method. This also applies to situations, when unbalanced market forces (being unfavourable to consumers and the entire economy) cause disturbances resulting in the disappearance of undistorted competitiveness.

It is therefore required to conduct a thorough evaluation of national and EU law in the context of necessary regulator interferences (appropriate authorities) to adjust arising imperfections in the way a free market is functioning. It is worth emphasizing that there should not be many state regulator interferences in a free-market economy; this however does not apply to a situation when individual relations between participants of the market are distorted by an imbalance in the form of disproportionate costs in relation to obtained benefits.

Introducing any regulations must be systemic in nature. In the case of attempting functional regulation or supervision of non-cash payments in Poland, their chances to develop due to technological advancement or market changes will be insignificant. Only regulations or oversight of systemic nature, opening a framework (legislative) room for economic activity for many entities and providing the authority to specified bodies/institutions to monitor occurring changes and, if needed, quickly correcting some of them that cause concern may, within years, speed up the desired changes in popularising non-cash payments in Poland, instead of inhibiting them.

Proposed scope and schedule of implementing Action 3.2.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|--|---|-------------------|
| 1 . | Evaluation of the current state of affairs, proposals of changes in law on a national and EU level. | Acquirers, merchants, payment instrument issuers, ZBP | Continuous action |
| 2 . | Identification of areas, where no interference from the regulator may have a negative/restricting impact on the development of non-cash payments and the acceptance market, in particular areas of requirements specific for card organizations, and fees comprehensively imposed on other entities on the market. | Acquirers, merchants, payment instrument issuers | 2016 |

Action 3.3. Activation of merchants relating to acceptance of non-cash payments

The development of non-cash payments requires coordinated actions of many participant groups of the settlement market at many levels of the payment acceptance process. The legal level, as specified in the

previous objectives, but also the financial, technological, educational, added value for consumers and changes in payment habits.

Financial support for entrepreneurs expanding the infrastructure may help achieve the objectives. However, the objective will never be fully achieved without an active participation of non-cash payment merchants in the process.

The first step should involve the identification of the causes why retail and service firms guard themselves against implementing non-cash settlements. Instruments most commonly used today are transfer orders and payment cards. Mobile payments will soon get popular. The cause of reluctance to accept this payment form is identified by retail and service establishments as high service costs, longer service times and related obstacles (e.g. no access to the GSM network). Thanks to statutory changes from 2013 and 2014, the interchange fee, whose previous level could have been a barrier for merchants in accepting card payments, was significantly lowered. Tasks that should now be carried out in this area are associated with the dissemination of information among merchants on their right to expect lower interchange rates from cooperating acquirers and, at the same time, continuing educational activities promoting non-cash payments.

On the one hand, it may involve conducting educational programs for merchants, indicating the benefits of non-cash payments, and on the other hand, initiating projects, which – based on non-cash instruments – can bring very tangible benefits to merchants, including increased customer loyalty.

Institutions that declare the will to cooperate under the proposed Action 3.3 will have the option to jointly work on new, cheaper non-cash payment instruments and additional products that may use the existing infrastructure – loyalty and gifting programmes. Additionally, in cooperation with merchant organizations, they will be able to support the dissemination of devices and solutions needed to accept non-cash payments.

Proposed scope and schedule of implementing Action 3.3.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|--|--|-------------------|
| 1. | Starting and supporting initiatives for creating loyalty programmes, promotional systems and <i>open loop</i> payment instruments, which would also cover merchants from small and medium-sized enterprises and microenterprises | Merchants, acquirers and other interested parties | Continuous action |
| 2. | Supporting actions associated with introducing new, low-cost payment methods, including mobile payments | Acquirers, payment service providers, merchants and other interested parties | Continuous action |

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| 3. | Supporting actions that expand the non-cash instrument acceptance network, among others through new systemic and hardware solutions using new or integrated technologies of payment acceptance | Acquirers, merchants and other interested parties | Continuous action |
| 4. | Preparation of attractive seasonal offers for the rental of POS terminals at a specified time, especially during the holiday season | Acquirers | From 2016 |
| 5. | Taking initiatives and supporting the creation of charging systems for public transport based on the open payment standard | Merchants, acquirers, payment organisations, technological solution providers | Continuous action |
| 6. | Taking merchant-activating measures relating to acceptance of non-cash payments | FDNP, ZPP and other organisations representing merchants | Continuous action |
| 7. | Taking actions aimed at equipping all vending devices (vending machines) with a function enabling payments in non-cash form | Vending device operators | Continuous action |
| 8. | Activities aimed at adequate taking into account by acquirers in agreements with merchants interchange fee reductions resulting from the MIF Regulation | Acquirers and entities associating merchants, including FDNP | 2016 |
| 9. | Measures aimed at breaking down the barriers of fixed costs of accepting card and mobile payments, including for the development of m-POS or cash registers equipped with a payment function, as an alternative to POS terminals | Interested parties | Continuous action |
| 10. | Carrying out activities aimed at eliminating notes displayed by merchants that make accepting card payments dependent on the transaction amount | Acquirers, FDNP, ZPP and entities associating merchants | 2016 |
| 11. | Taking actions to increase the use of non-cash payments in e-commerce | Interested parties | Continuous action |
| 12. | Development of cash registers integrated payment terminals and the payment function | Producers of cash registers | Continuous action |

Action 3.4. Educational actions aimed for a broad group of respondents (consumers, interested commercial entities and media) on the issue of the functioning of modern payment infrastructure

Knowledge and education about non-cash payments is undoubtedly one of the key factors of speed and scale of development of this type of payments and the success rate of implementing tasks/objectives described in this document.

In the times of free and universal access to the Internet, education is changing its character, it is fuller and more quickly reaches an increasingly larger group of people. It significantly impacts the awareness of the use of payment services, their capabilities and security. It is interactive, allowing service providers to develop more tailored services.

Well-prepared education can effectively support promotional and marketing actions. The real change of our payment habits ultimately relies on education and marketing understood as actions aimed at emotions and habits. A seemingly natural state for everyone usually shaped at a young age is having/gathering cash and making payments in cash. Only through convincing and presenting rational arguments and training of new habits it is possible to change mentality and habit in the method of making payments. By definition, it should be a continuous process (continuous learning) addressed to specific, rather uniform groups (broken down e.g. by gender, generation, place of residence, education, social role etc.), periodically being more or less intense, using rather non-schematic themes and methods and different communication channels.

In the conditions of an overload of information around us and the multitude of media, from which we gather knowledge about the world, the theme of non-cash payments should be a defined and specific (specifically described) element/body of economic knowledge of every inhabitant of our country and as such it should be delivered in an orderly manner on specific stages of life:

- as a child in a kindergarten, followed by a school, including higher education,
- as a worker,
- as a conscious and active citizen, a member of civil society, information society etc.

Such natural division emphasizes the role and responsibility of educational institutions, firms-employers and their associations, mass-media, civic organizations etc. in creating bodies of knowledge regarding non-cash payments and its dissemination to its members.

Proposed scope and schedule of implementing Action 3.4.

| Item | Activity | Responsible organization/s | Deadline |
|-------------|-----------------|-----------------------------------|-----------------|
|-------------|-----------------|-----------------------------------|-----------------|

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|----|---|---|-------------------|
| 1. | A review and an analysis of existing propaganda programmes, institutions and platforms dealing with education in the field of non-cash payments | The Coalition for Non-cash Payments and Micropayments, interested parties | Continuous action |
|----|---|---|-------------------|

Action 3.5. Developing the local government acceptance network of payments which may be made solely in non-cash form (e.g. subsidies, payments of grants, social benefits)

Cashless payment for liabilities to local governments and non-cash settlement of local governments with citizens – these are the areas that can and should be regulated through proper legislative initiatives. Their importance for promoting safe non-cash payments is paramount – it is hard to encourage solutions that are not used by institutions strongly connected to the state, including, among others, local governments.

Apart from a considerably more efficient supervision of such payments and the increase of user security, a significant argument for non-cash payments is the opportunity to include local governments in the continuous process of educating society. Lack of knowledge about available non-cash instruments and security of their use is often indicated as the reason for the low level of use of non-cash payments. Local governments have a huge role to play in this regard, but the effectiveness of these actions will be small, if they themselves do not give an example.

The introduction of the obligation to use non-cash payments can seemingly appear to be unduly burdensome from the perspective of users, but it is fully justified. It is very important that the process was held in accordance with legal provisions – hence the need to verify the relevant legislation and to modify it wherever necessary.

Proposed scope and schedule of implementing Action 3.5.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|--|---|-----------------|
| 1. | Cooperating with local governments and their associations on the identification of operation types, where the introduction of the obligation to use non-cash payments would be economically and socially justified | ZBP, Association of Polish Counties, Union of Polish Metropolies, NBP | 2016-2018 |

| | | | |
|----|--|----------|-------------------|
| 2. | Cooperating with local governments and their associations on the verification of compliance with provisions of the introduction of the non-cash payments requirement | ZBP, NBP | Continuous action |
| 3. | Cooperating with local governments and their associations on the preparation of proposals of changing legal provisions | ZBP, NBP | Continuous action |

Action 3.6. Taking promotional and educational actions on *cash back* service

The *cash back* service is a natural complement to withdrawing cash at an ATM. It still is not common, although there are many times more points providing this service than the number of ATMs. It is ideal for rural areas, small towns or settlements, where the cost of installing an ATM makes it unprofitable.

Education and promotion of the *cash back* service has the following sense and merit: it is essentially a combination of traditional ties to cash and the freedom to use it in trade with the access to funds in a way corresponding to modern non-cash solutions. In this manner, by small steps, it is possible to influence the part of client populace that at this point have a low level of confidence in the effectiveness and reliability of non-cash instruments, and simultaneously provide them with their own cash deposited earlier on the accounts.

A prerequisite of an effective promotional/educational action on the *cash back* service is the creation or certainty that the infrastructure required for this type of service (starting from legislative solutions to actual preparation of establishments for cash payouts in this mode) is prepared and works efficiently.

Based on the analysis of previous *cash back* transactions executed and focus research conducted on a chosen group/groups of populace, it is possible to specify the potentially most interested in this type of transaction and prepare a campaign targeting chosen groups of people and conducted through the maximum number of channels (electronic and printed media, outdoor advertising, social media etc.). Good coordination between cooperating payment service providers is a necessary condition for this campaign to work, along with achieving the scale effect.

Monitoring of this action is required along its course to flexibly modify it, should such need arise (e.g. modification of arguments, slogans, concentration of forces and assets on specific groups of people or locations etc.) and, after its completion, a solid analysis of, mainly, its effectiveness and preparation for

another edition, where the previously used solutions/methods/communication channels could be used with even greater effect.

The action should be given much media and substantive coverage, which of course, during its preparation and when active, does not exclude actions on a smaller scale, more cameral or more specialized, for example guided conferences or workshops for e.g. journalists from media acquired as patrons or partners of this enterprise.

Proposed scope and schedule of implementing Action 3.6.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|--|---|-------------------|
| 1. | Organizing a promotional campaign on the <i>cash back</i> service, including the preparation of a handbook on the <i>cash back</i> service for merchants and consumers | Payment service providers, interested parties | 2016-2018 |
| 2. | Conducting a comprehensive re-analysis (against the year 2013) based on surveys on the <i>cash back</i> service | NBP | 2016 |
| 3. | Gathering and publishing cyclic statistical data on the <i>cash back</i> service and making them public | NBP, payment service providers | Continuous action |
| 4. | Developing the <i>cash back</i> offer by payment service providers, including the expansion of the subjective and objective scope | Payment service providers | Continuous action |

Action 3.7. Actions aimed at expanding the ATM network and other customer-operated vending machines and their range of functionalities

The aim of this action is a uniform increase in the number of ATMs proportional to the population in all the towns, and their use. The increase of the number of ATMs in Poland and their installation in a greater scope than currently in less urbanized regions are considered as very important tasks. Similarly to the *cash back* service, ATMs comprise an element of the transition from the cash culture to a non-cash instrument culture.

The problem is very complex; however, as on the one hand the ATM itself as a device and its constant maintenance is very expensive, on the other hand, the number of services available at ATMs that are a source of revenues or savings for the operators is still limited.

Currently, the sources of revenues include:

- withdrawal of cash in various currencies including foreign customers,
- mobile phone top ups,
- marketing, commercial advertising,
- PIN change,
- cash deposit function,
- transfers

and others, including the expansion of the above services to new payment instruments.

Examples of sources of savings are:

- cash withdrawal for operator's own clients as a cheaper alternative for cash withdrawals at bank branches or the cost of withdrawal by customers in foreign ATMs;
- information about recent transactions on the account with the offer to give up paper statements,
- submission of applications to increase credit limits,
- updating customer data, e.g. mobile phone number,
- education, marketing, advertising for own clients,
- recycling of cash,

and other, arising from the needs of the operators.

In both areas there are still many opportunities to develop the functionality of ATMs: payment of social benefits, mass payments, local government charges, voting, etc.

The big advantage of the ATM network in relation to other points of acceptance is 24/7/365 availability and a high level of transaction security.

Under this measure, interested parties will therefore be able to work out the most effective methods to improve the efficiency of operation and development of the ATM network.

The combination of the capabilities of modern ATMs with already common smartphones allows to generate new interactive ATM services. Their implementation requires appropriate legal analysis of the legislation allowing the introduction of this type of solutions.

In this sense, any measures concerning marketing moves for the development of ATM networks make sense only when they are calculated/coupled with the increasing number of people using banking products in environments far lagging behind in this respect, increased requirements concerning documenting transactions, broadening the scope of non-cash settlements payable in local transactions (local government administration), finding support (administrative and financial) in reducing the cost of installing infrastructure elements, increasing seasonal locations of mobile ATMs in periodically attractive localities and during mass events.

Due to the above arguments and the current situation, this is a continuous action and dependent on specific events occurring on the market, such as, for example entering into force of specific “pro-ATM” recommendations.

Proposed scope and schedule of implementing Action 3.7.

| Item | Activity | Responsible organisation/s | Deadline |
|------|--|----------------------------|----------|
| 1. | <p>Analysis and implementation of the recommendation of the Working Group for ATM fees:</p> <ul style="list-style-type: none"> • increasing the number of devices with cash recycling, which will positively affect ATM network in Poland, because the devices of this type, despite the higher purchase price, significantly lower maintenance costs, • analysis of the legal status and taking action on the possibility of introducing regulations or the interpretation of allowing offering non-financial services by operators of ATMs, including banking entities, and making declarations of intent and agreements at ATMs using PINs or other verification methods. • increase the functionality of ATMs, among others, with the ability to support public administration, ordering additional banking services, mobile recharge, payment transactions, etc. which would increase their profitability. • taking measures to create a nation-wide solution, designed to reduce costs and increase the efficiency of the bank ATM | ZBP, banks, ATM operators | 2016 |

| | | | |
|----|---|---|-------------------|
| 2. | Actions to support the increase in the overall number of access points to cash in rural areas | Card organisations, banks, mainly cooperative banks and other issuers of payment instruments, acquirers, ATM operators, Poczta Polska | Continuous action |
| 3. | Analysis of the possibility to standardise the authorisation protocols by acquirers, which will reduce the costs of adapting to the different integrators or payment institutions to cooperate with acquirers | PIIT, KAR and other interested parties | 2016-2018 |

Specific Objective 4 – Increasing the use of non-cash payment instruments, maintaining their security, and increasing innovation

Action 4.1. Educational and promotional actions on electronic payment instrument security

Security has a decisive impact on the level of customer confidence to use electronic payment instruments. This applies equally to the payment instrument itself (phone or card), i.e. the security of available funds in the event of loss, payments transaction authorisation (one-time code, PIN), the possibility of an additional confirmation of the transaction (e.g. notifications and alerts on the phone, CVV/CVC for cards), enabling/disabling services, determining the limits of and course of transactions (hiding data entry) and finally the speed of handling complaints.

A primarily educational action aimed at raising the level of knowledge and awareness of users of payment instruments in the field of security solutions dedicated to service non-cash payment.

This action is focused primarily on individual customers, but an important group of target recipients are also legal persons, particularly small enterprises.

In the implementation of the actions, both direct educational and promotional meetings are foreseen, as well as publications, online communication and activities to support the protection of users of electronic payment instruments in emergency situations.

Implementation of an educational task stems especially from the fact that solutions for servicing payments existing on the market, including innovative solutions, are characterized by a high level of security. A relative low level of confidence permeates among many users of electronic payment instruments, especially in relation to new solutions.

The action taken is to be a counterweight to the negative campaigning by teaching how to use commercially available secure electronic payment instruments, while promoting these solutions both in relationships with users, as well as with the media.

Proposed scope and schedule of implementing Action 4.1.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|--|---|-------------------|
| 1. | Conducting educational and promotional actions regarding payment security (e.g. a cycle of meetings, also with the media). | ZBP/NBP/FDNP/Medien Service or other interested parties | Continuous action |

| | | | |
|----|--|---|-------------------|
| 2. | Promoting solutions raising the security of electronic payment instruments | ZBP and other interested parties | Continuous action |
| 3. | Optimisation of complaint procedures regarding card payments | Payment service providers and payment organisations | 2016-2018 |

Action 4.2. Analysing available/offered technological solutions on the market (e.g. cloud computing) with regard to their security for both providers and beneficiaries of payment services

The action aimed at permanently reviewing existing technological solutions, which electronic payment instruments are based on, in terms of their security. Expected activities focus on the analysis of available instruments, but also consider the sphere of users through the planned verification of their needs and preferences in this respect.

Meetings with experts are planned as part of the implementation of the action, as well as publications of studies — the results of the comparative analysis — and taking actions of a standardizing character.

Implementation of the action is recommended because of a persistent lack of detailed analyses and studies that describe the existing technological solutions for technology security. Available publications are fragmentary and do not represent the full spectrum of solutions. They are also often aimed at promoting a particular supplier, therefore lacking objectivity and technological neutrality.

Based on the analyses, it will be possible to make a full comparison of existing solutions, both within the market and with respect to European standards. It will also be easier to develop common standards which increase the level of security of new instruments, taking into account the technological aspects and the perception of these solutions by users.

The steps assumed in the implementation of the action will form the basis for the promotion of the use of electronic payment instruments and development of standards which additionally increase the level of technological security of existing and new solutions.

Proposed scope and schedule of implementing Action 4.2.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|-----------------|-----------------------------------|-----------------|
|-------------|-----------------|-----------------------------------|-----------------|

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|----|---|---|---|
| 1. | Meetings within the framework of the Banking Technology Forum and the Electronic Banking Council, with possible participation of invited entities | ZBP/Banking Technology Forum/Group for <i>Cloud Computing</i> and other interested parties, Medien Service | Continuous action |
| 2. | Preparing comparative studies on available products by working groups by the ZBP and delegated employees of interested parties | Banks, ZBP, Banking Technology Forum | 2016-2018 |
| 3. | Analysis of existing standards in the EU and their implementation in Poland | ZBP | Continuous action |
| 4. | Establishing cooperation with entities representing the interests of technology providers (non-members) | Banking Technology Forum/ZBP/NBP/FDNP and other interested parties | Continuous action |
| 5. | Preparing a banking remote identification standard and client's electronic identity (to be specified in more detail) | ZBP - Task group for e-administration, e-business and information society (ZBP Electronic Banking Council), as the leading entity, with the involvement of: banks, Polish Chamber of Information Technology and Telecommunications (PIIT), ZBP: Banking Technology Forum, Medien Service, Chamber of e-Commerce | 2014 -2015, Not later than by the time of preparation of the EU regulation |

Action 4.3. Supporting and promoting safe and effective solutions regarding payments for beneficiaries (individual clients and entrepreneurs)

Individual clients and entrepreneurs are the recipients of payment services offered by the supply side of the market. The demand side of the market plays a very important role in the proper method of functioning of the payment market. The development of non-cash payments must be accompanied by the appropriate pace of development of payment instruments which serve as a tool for making payments by customers. Friendly to use features of the new method of payment have a decisive impact on the acceptance by customers of an innovative tool and its mass adoption.

Reviews of existing standards for payment are important activities. The results of the reviews provide a basis for the creation of new standards, devoid of defects, with much more user-friendly features. Interoperability of individual standards may play a key role, the features of which can contribute to creating effective models of cooperation.

Preparing recommendations for users on the security and effectiveness of individual payment instruments is intended to build awareness of the benefits of the use of modern and secure payment instruments. Recommendations presented in a friendly form will gradually break developed mentality barriers and will intensify the use of various cashless payment instruments.

The adaptation of national payment instruments to European standards will be critical in the context of balancing the possible differences in the way they operate. Guidelines developed at European level should be implemented into national conditions in order to increase security and transparency in the way they operate.

Increasing competition on the market of payment service providers is crucial from the point of view of increasing the efficiency of their operation, including their security. Increasing security awareness of innovative payment instruments can contribute to the execution of payments between individuals on a mass scale (P2P). Currently, this payments area is not exploited because of lack of appropriate (friendly, fast and secure) solutions. The potential for market development in this area is huge and it is possible to use it, having regard to bank accounts as a source of money for this type of transactions. A key feature which must characterize an acceptable payment instrument by the customer is the immediacy and certainty (guarantee) of a transfer of funds from the account to an account in a few seconds.

Proposed scope and schedule of implementing Action 4.3.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|-----------------|-----------------------------------|-----------------|
|-------------|-----------------|-----------------------------------|-----------------|

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|----|---|--|------------------------|
| 1. | Reviewing existing standards and creating and supporting standards regarding payments (including for interoperability) | ZBP, Electronic Banking Council, Banking Technology Forum, FDNP, PNPIO, and other interested parties | Continuous action |
| 2. | Preparing and updating recommendations and information for users regarding the security and effectiveness of payment instruments | ZBP, Electronic Banking Council, Banking Technology Forum, FDNP, PNPIO, and other interested parties | - Continuous action |
| 3. | Adapting national payment instruments to European standards (e.g. PZ to SDD) subject to supporting local solutions consistent with the <i>Programme</i> | ZBP, NBP, KIR and other interested parties | Continuous action |
| 4. | Supporting the creation of safe and effective payment instruments enabling payments between natural persons (P2P), including instruments based on bank accounts | Payment instrument issuers and other payment service providers, all interested parties | Continuous action |
| 5. | Introduction of actions aimed at the development of electronic invoicing and electronic payments, including recurring payments | Forum for e-invoices and e-Payments at the ZBP | 2016-2018 |
| 6. | Dissemination of participation in instant payment systems | Banks, instant payment providers | 2016-2018 |
| 7. | Analysis of the possibility of wider use of prepaid cards and examining the possibility of transfers of benefits on the phone | Payment service providers | 2016 |
| 8. | Analysis of the possibility of increasing the security of prepaid cards and cash held in prepaid card accounts in order to reduce the risk of their use for criminal activities | ZBP | 2016-2017 |
| 9. | Taking steps to reduce the fees associated with cross-border non-cash transactions (fees for currency conversion), which often causes the users of banking services to only use cash bought at a currency exchange when paying abroad | Banks, ZBP | 2016-2018 |

Action 4.4. Creating conditions for the emergence of alternative non-cash payment instruments, including those using the existing infrastructure

The existence of favourable conditions for the emergence of alternative payment instruments will help to develop initiatives in innovative solutions that impact an increase in the competitiveness of the Polish market for payment services. Climate of change, market niches, the growth potential of the market are key motivational factors for entities that may offer products and services more tailored to the needs of the demand side of the market (customers and merchants).

Market monitoring and analysis of emerging solutions carried out on the initiative of individual market participants contribute to a picture of the market, based on which it will be possible to credibly formulate market weaknesses, lack of effective operation of individual cells and define the possibility of cooperation. Analysis of the mode of action of emerging systems can help identify the most favourable market solutions and initiate their popularisation.

The high potential for development of the Polish market, in terms of non-cash payments, should be used taking into account the current infrastructure for accepting and settling card transactions. The currently functioning model of cooperation between acquirers and merchants, and delivered infrastructure today is used not only to accept card payments. Possible installation of additional applications on payment terminals may increase the range of services offered by the merchant without incurring unnecessary expenditure on additional hardware. Selected acquirers with direct links to various banks, where the clients' accounts are held, can offer solutions using pre-built infrastructure and proven methods for data transmission security at advantageous and cost-effective model of cooperation for each of the participants.

Creation of a catalogue of incentives and the implementation of its individual components for those building secure and effective non-cash payment instruments will increase the offer from the supply side of the market. Considering the multitude of solutions offered there is the possibility of cooperation using the best features of each solution. It will also be a favourable situation for those who want to integrate the most user-friendly solutions and build synergies of built payment systems.

Proposed scope and schedule of implementing Action 4.4.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|---|---|-------------------|
| 1. | Monitoring of the market and the analysis of emerging solutions | Acquirers, merchants, payment service providers | Continuous action |

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|----|---|--|-------------------|
| 2. | Verifying solutions for the use of the existing infrastructure and the necessity of possible upgrade, modernization, change | Acquirers, merchants, payment service providers | Continuous action |
| 3. | Creating a catalogue of incentives for entities building secure and effective non-cash payment instruments | Acquirers/merchants/payment service providers, payment organisations | Continuous action |

Action 4.5. Taking action aimed at increasing innovativeness of payment cards, online banking, mobile payments and other non-cash payment instruments.

Proposed scope and schedule of implementing Action 4.5.

| Item | Activity | Responsible organisation/s | Deadline |
|------|--|----------------------------|-------------------|
| 1. | Development of payment instruments enabling free choice and changing alternative sources of money by clients | Payment service providers | Continuous action |
| 2. | Conceptual and implementation cooperation with technology and ICT solutions providers for the development of non-cash payment instruments and access tools | Payment service providers | Continuous action |

Specific Objective 5 – Increasing the popularity of low-value payments without the use of cash

A number of events have recently changed the face of the domestic payments market, contributing to a significant increase in the number of transactions without cash: the dissemination of contactless payments, the introduction of cashless payment in the Biedronka, Makro Cash and Carry retail chain stores, widespread self-service machines – ticket machines on public transportation, parking ticket machines and vending machines accepting non-cash payments and the development of mobile payments. At the same time, the average value of transactions made using cards decreased, from approx. PLN 100 at the end of 2009 to approx. PLN 80 now. This fact is the evidence, among others, of an increase in the number of non-cash transactions with lower and lower amounts.

Action 5.1. Creating stable business conditions facilitating the dissemination of low-value payments without using cash, in particular pricing conditions for issuers, acquirers and merchants, regarding costs of such transactions and interchange rates

Micropayments account for nearly half the number of all retail transactions and almost all of these are cash transactions. This state of affairs is the result of the natural process of the transition of the public from cash payments to non-cash payments, showing how much growth potential there still is for the latter.

This action will identify barriers to growth and develop solutions conducive to making such payments.

The downward trend of the average value of non-cash transactions, primarily by payment cards, is associated with the business challenges for all parties involved in payment systems – issuers of non-cash payment instruments, settlement agents and their subcontractors and the systems themselves or payment organizations. Particularly important obstacles include high costs of transactions – at low values they make them unprofitable for payment service providers and merchants. Consequently, such transactions are not promoted, and the possibility of making them is restricted even against agreements concluded with payment service providers.

Today's models of settlements between participants in the market contain percentage-based components and fixed components – independent of the amount of the transaction. The decrease in the value of transactions while reducing the value of interchange fees makes the constant components play a key role in the cost of low-value transaction processing. There is a need to optimize the revenue model, so that even at very low values profitability is maintained for all parties involved in settlement of transactions.

The areas that are in need of optimization are mainly fees derived from the number or value of transactions incurred by payers' providers and merchants for the benefit of card organisations and ITC

service providers, fees paid by merchants to acquirers and the principle of a possible division of the margin between the parties involved in handling of payments.

In the current legal, economic and market environment, an essential precondition for the dissemination of payments of small amounts without the use of cash is to create a stable and favorable economic framework for further development in the current form of business models of all entities that are parties to a transaction, or the evolution of these models, in line with trends set by social and technological changes.

Due to the nature of the multilateral non-cash payment systems, it will be necessary to provide adequate, long-term economic incentives, i.e. price and cost incentives, so that the aforementioned entities are strategically interested in investing their resources in promoting non-cash payments of small amounts without having to subsidise these payments with the effects of other aspects of their business.

Without adequate, sustainable and attractive business and economic conditions, the interest of market participants, i.e. issuers, acquirers and merchants in promoting these transactions will be limited and devoid of synergies, and the effects of any regular marketing and educational activities aimed at disseminating these payments will be short-lived, contributing to the erosion of business relationships in the payment systems.

Proposed scope and schedule of implementing Action 5.1.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|--|---|-----------------|
| 1. | Cost analysis of handling cash and non-cash payments of low amounts, and the thresholds of profitability taking into account the different payment instruments | Acquirers, issuers, entities associating merchants, including FDNP, NBP | 2016 |
| 2. | Cooperation with organisations and payment systems in developing business models for handling payments of small amounts without cash | Acquirers, issuers, payment organisations and systems, entities associating merchants, including FDNP, ZBP, NBP | 2016 |
| 3. | Developing and implementing models of pricing conditions for merchants to promote the acceptance of cashless payments of small amounts | Acquirers, entities associating merchants, including FDNP | 2016 |

Action 5.2. Developing cost-effective payment instruments and their acceptance environments, among others in the range of mobile payments, based on application

solutions for mobile devices and self-service payments, including through offering financial incentives for common implementation of appropriate solutions

The dynamic development of technology and its increased availability allow to create a cost-effective environment for non-cash payments, both on the side of acceptance and issuance of non-cash payment instruments and their interaction during the transaction.

The migration of traditional operational processes to the said IT environment at the side of the end user – merchants and consumers will facilitate the implementation of objectives of economic entities that create the market also in the case of low-value non-cash payments, among others, by reducing the scale of the use of infrastructure elements that generate relatively high fixed costs, mainly traditional terminals.

In order to achieve the economies of scale through the creation of a widely accessible network of acceptance for non-cash payment instruments holders, it will be advisable to provide, among other things, financial incentives conducive to mass customization of self-service machines to accept the above-mentioned instruments, including those already present on the market (vending machines, ticket machines, parking ticket machines).

Currently, the typical areas of low-value payments, in addition to the above-mentioned networks of distribution of goods and services in self-service devices, are mobile payments offered in applications for smartphones, including fees for services (e.g. access to content, online postage stamps). The creation of this type of new applications on the one hand stimulates the market for the use of non-cash payments, on the other hand, is an incentive for the supply side of the market to seek new technological solutions and organisation models of payment systems.

To achieve profitability, services regarding micropayments require large-scale operations. The success of such projects typically requires the involvement of many parties, providing access to sources of money, tools, media and the payment method.

The purpose of this action is to increase the share of micropayments in points already accepting non-cash payments and the development of the acceptance network for new places where most micropayments are made.

From the point of view of cost efficiency, the direction of development is assumed to be solutions based on mobile applications. The universality of adequate devices and ease of developing appropriate software leads to the development of payment instruments in this direction.

Experience from other countries show the great transaction potential in person-to-person (P2P) payments. The barrier to the development of these payments is the lack of a common customer base of many banks providing the possibility of immediate P2P transfers between customers of different banks.

Proposed scope and schedule of implementing Action 5.2.

| Item | Activity | Responsible organisation/s | Deadline |
|------|---|---|-------------------|
| 1 . | Development of payment instruments, including applications based on solutions for mobile devices and alternative to cards, allowing, among others, making non-cash P2P payments and micro-payments, also remotely (e- and m-commerce) | Issuers, payment service providers, technology suppliers, payment organisations and systems, Chamber of e-Commerce (supporting role) | Continuous action |
| 2 . | Developing an environment of low-cost infrastructure for handling non-cash low-value payments, including on the basis of application solutions for mobile devices, and self-service payments, in particular in the segments of the retail market dominated by cash payments | Acquirers, payment service providers, technology suppliers, payment organisations and systems, Chamber of e-Commerce (supporting role) | Continuous action |
| 3 . | Cooperation with organizations and payment systems for obtaining pricing and financial incentives to adapt the network of self-service machines to accept cashless payment instruments | Acquirers, payment service providers, technology suppliers, entities associating merchants, including FDNP, payment organisations and systems, ZBP, NBP | 2016-2017 |

Action 5.3. Promoting making low-value payments without using cash among payment instrument users and merchants, including remote transactions and micropayments

After prior fulfillment of the necessary economic conditions, in order to spread the payment of small amounts without the use of cash, it will be required to make periodic promotional activities that stimulate adequate payment behaviour.

The need to have cash in the form of so-called “small change” is largely due to the widely perceived convenience of this form of payments over non-cash payments. For example, it is easier to pay for parking in cash than use the mobile application on a mobile phone. However, from the perspective of the younger generation which usually has only modest funds and is versed in technological issues, the use of applications on the phone seems natural, easy, and more importantly, it is safer than carrying around money. However, everybody encounters a barrier of limited possibilities of paying using a mobile phone, because, among others, these transactions are unprofitable for merchants, with large

workload and time of handling. However, accepting non-cash payments can solve operational problems, e.g. the lack of coins for the settlement of transactions at highway tollbooths.

Taking into account the persistence of habits, the strength of stereotypes and the specifics of shopping experience, it will be advisable to use simple, measurable and directly rewarding incentives for users of non-cash payment instruments and for merchants to change their behaviour.

The above actions have to be accompanied by efforts of the environment creating the acceptance of non-cash payment instruments, in order to eliminate practices restricting the use of these instruments for low-value payments. Without effective action in this area, promotional efforts will not bring the desired effect, weakening the effect of changes in behaviour among users of payment instruments.

Proposed scope and schedule of implementing Action 5.3.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|--|---|---|
| | Activities aimed at the popularisation of non-cash transactions in amounts up to PLN 20, including the elimination of notes about the used limit of the payment amount | Acquirers and entities associating merchants, including FDNP | 2016 |
| 2. | Periodic promotional campaigns among users and merchants to encourage non-cash payments of small amounts, using price incentives and financed by payment organisations and systems | Issuers, acquirers, payment organisations and systems, entities associating merchants, including FDNP | Periodically after the implementation of Action 5.1 |

Action 5.4. Educational actions among consumers and merchants, promoting the advantages of low-value payments in non-cash form, its safety and comfort and pointing out inconveniences, costs and risks associated with cash payments

Cashless payment methods for small amounts, seemingly not giving rise to similar concerns about their safety as transactions with relatively much greater value, may turn out to be as little susceptible to dissemination and hard in promoting as non-cash transactions in general, not only because of the economic cost and functional barriers.

Firstly, because the sum of the limited value of transactions in a given period, e.g. during a week, can be significant, exceeding the value of many single larger transaction. Secondly, because of the settled,

well-established social behaviour and habit of reaching for “small change” in the case of certain transactions.

With respect to these non-cash payments, one should assume the need for long-term and diverse educational activities associated with them. Such actions will bring results sooner, if they are directed to young people versed in technological issues, especially with the use of smartphones. In turn, they will be less effective and their effects more spread out over time for such audiences as the elderly or residing in rural areas and in smaller towns, where daily payments are now dominated by cash payments.

Therefore, it seems reasonable to treat most of the actions regarding low-value cashless payments as an integral part of educational campaigns and promotion of cashless payments in general, with a focus on the aspects of convenience and safety of the transactions. In contrast, dedicated educational and promotional activities should be targeted at specific circles (e.g. the youth) and the merchant segments whose payment transactions are characterized by a high proportion of transactions with low unit value, such as newspaper stands, shops in housing estates and similar retail and service points.

Not without importance for educational and promotional activities are aspects of breaking a conscious reluctance on the part of the recipients to carry out non-cash transactions, because of the fear of the use of information for advertising or invasion of privacy in other ways (e.g. in the case of system tools for building client profiles and their use, so-called Big Data).

Proposed scope and schedule of implementing Action 5.4.

| Item | Activity | Responsible organisation/s | Deadline |
|------|--|---|---|
| | Information campaigns conducted among users of payment instruments to encourage non-cash payment of small amounts, as a convenient and safe method of making such payments | Issuers, payment organisations and systems, ZBP, NBP, Chamber of e-Commerce (supporting role) | Periodically after the implementation of Action 5.1 |
| 2 . | Information campaigns conducted among merchants encouraging to accept non-cash low-value payments, as a convenient and safe method of such payments, and to counter the use of practices restricting non-cash payments | Acquirers, payment organisations and systems, entities associating merchants, including FDNP; ZBP, NBP, Chamber of e-Commerce (supporting role) | Periodically after the implementation of Action 5.1 |
| 3 . | Educational activities aimed at informing merchants and entrepreneurs of the lack of legal applicability of amount restrictions of payments made using payment cards | Acquirers, entities associating merchants, payment organisations | Continuous action |

Specific Objective 6. – Increasing competitiveness and innovativeness of payment services providers and other entities of the payment sector in Poland and ensuring the security of their operation

Action 6.1. Creating conditions supporting competitiveness and innovativeness of banks as payment service providers and ensuring their secure functioning

Competitive and innovative banks not only provide dynamic development of non-cash payments, but also increase the security of the entire payment system. A bank account is the first and fundamental element of participation in non-cash payments, based on which products are built not only by the bank, but also by third parties.

Of key importance is the removal of regulatory barriers which may weaken the competitiveness of domestic banks relative to those in other EU Member States.

The challenge of a strategic nature is to ensure the security of banks and bank customers when using payment services.

Proposed scope and schedule of implementing Action 6.1.

| Item | Activity | Responsible organisation/s | Deadline |
|-------------|---|---|-------------------|
| | Identification of barriers (in particular legal, technological etc.) for the competitiveness, security and innovation of banks as providers of payment services | Banks, organisations representing banks | Continuous action |

Action 6.2. Creating conditions supporting competitiveness and innovativeness of payment institutions, including acquirers and the institution of electronic money as well as ensuring their secure operation

An increasingly important element in the payment service sector are non-bank entities, which in Poland are particularly important participants in the market working in close cooperation with the banking sector. Therefore, it is necessary to create conditions that support the operation, development and emergence of new operators in the market in Poland.

Proposed scope and schedule of implementing Action 6.2.

| Item | Activity | Responsible organisation/s | Deadline |
|------|---|-----------------------------|-------------------|
| | Identification of barriers (in particular legal, technological etc.) for the competitiveness, security and innovation of payment institutions, including acquirers, and the institution of electronic money | Payment institutions, PNPIO | Continuous action |

Action 6.3. Creating conditions supporting competitiveness and innovativeness of payment systems operators, payment organisations and other entities of the payment sector in Poland and ensuring their secure functioning

The functioning of the payment service is not possible without payment systems, payment organisations and other entities in the payment sector supporting the operation of payment service providers. Particularly important are actions to support the creation of new entities in order to ensure a higher level of competition and innovation of the entire market.

Proposed scope and schedule of implementing Action 6.3.

| Item | Activity | Responsible organisation/s | Deadline |
|------|--|---|-------------------|
| | Identification of barriers (in particular legal, technological etc.) for the competitiveness, security and innovative payment systems and operators of infrastructure, service providers and operators of activities for the payment service | NBP, ZBP, payment organisations, payment service providers and other interested parties | Continuous action |

Action 6.4. Actions supporting incubation of payment innovation in Poland

Of particular importance are actions to support the incubation of payment innovation in Poland by building regulatory and institutional framework to encourage the construction of new solutions in the country both by existing providers as well as by technological entrepreneurs supported by investors. These actions should be aimed at building in Poland a leading European financing technology cluster. The high level of innovation in domestic banks will support this process.

Proposed scope and schedule of implementing Action 6.4.

| Item | Activity | Responsible organisation/s | Deadline |
|------|----------|----------------------------|----------|
|------|----------|----------------------------|----------|

| | | | |
|--|---|---|------------------|
| | <p>Actions aimed at building favourable regulatory and market conditions for incubation of innovative payment products supporting the development of non-cash payments (in Poland and outside Poland)</p> | <p>ZBP, payment organisations, payment service providers and other interested parties</p> | <p>2016-2018</p> |
|--|---|---|------------------|