



**Public Electronic Payment System (PEPS)
Publicity Speech**

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Honorable Deputy Prime Minister, Distinguished Minister, Esteemed Guests and Esteemed Members of the Press,

Recent advancements in communication and information technologies have made it possible for money to move more fast and safely. The fact that money - the key object of the banking sector- - continues to function representatively in electronic environment has enabled the widespread and effective utilization of contemporary technological opportunities. This situation has given rise to the idea of “electronic payment” that ensures faster and risk-free transfer of money thanks to information technologies, and thus, the transition to electronic payment systems has gained momentum since the 90’s.

In this context, central banks have pioneered to establish national payment systems and their cross-border connections, after which a process of adjustment to global payment systems started. Developments and practices in payment systems as well as newly established standards have increased the roles and responsibilities of central banks with regard to ensuring stability in financial markets.

Delayed payments, high intermediation costs and settlement risks are expected outcomes of an economy that lacks an effective payment system. In such a case, problems that emerge in a particular sector of an economy or financial system may rapidly spread to other sectors. As a result, “systemic risks”, which might interrupt the economic activity, may develop.

The active role assumed by central banks in the design, operation and oversight of payment systems becomes more of an issue given the size of the global financial system. So following global trends in this field, the Central Bank of the Republic of Turkey cooperates with the Turkish financial system in order to improve and renew payment systems. .

The Central Bank’s membership of the Committee on Payment and Settlement Systems (CPSS) of the Bank for International Settlements (BIS) was finalized in 2009. In this platform, where key global principles and standards related to payment and settlement systems are set, Turkey is represented by the Central Bank, which is actively involved in studies conducted.

Moreover, as authorized by its Law, the Central Bank, considering the need for a regulation on general standards including all payment systems in Turkey, drew up a “Draft Law on Payment Systems”, which also complies with the European Union acquis, and the draft law has been shared with relevant institutions and agencies in order to hear their views. Once the draft law is addressed at the Grand National Assembly of Turkey as soon as possible after being revised in line with the views of the relevant institutions, an important step will have been taken in shaping the legal framework that conforms to EU acquis and international standards regarding payment systems.

Distinguished Participants,

On the back of recent developments in electronic payment systems, the public sector’s effective cash management and understanding of high-caliber service provision, coupled with efforts to prevent the underground economy, have necessitated the processing of a large amount of public payments in the electronic environment.

Developed country practices indicate that at the end of the 90s, the USA and the UK required public payments to be processed electronically. Accordingly, the US Treasury allowed social security payments and tax refunds, along with some other payments, to be made in the electronic environment in 1999.

From 1972 to 2007, the Treasury Single Account system was functional in Turkey, whereby through the branches of Ziraat Bank, the accounting of domestic collections and payments of some accounting units of general budget was executed in a single account of the Treasury at the Ankara Branch of the Central Bank.

As this system that was based on balancing the income and expenditures fell short of meeting needs in time, the Single Treasury Current Account system was adopted upon a protocol signed between the Central Bank, the Ministry of Finance and the Undersecretariat of Treasury on 31 July 2007. Thanks to the new system, the transfer of payments that are not in the daily cash program of the Treasury is prevented and collections can be transferred directly to the Treasury without being used for payments.

Today, we have completed a major phase of the Public Electronic Payment System (PEPS), the foundation of which was laid by the said protocol. It is owing to this system that the cash needs of general budget institutions can be transmitted, their needs can be met and their payment orders can be processed electronically. PEPS, which enables the processing of all these transactions automatically without the need for any external intervention, and can therefore be considered a global example, is an automation system that operates based on the “end to end” principle. In this system, every step of public payment transactions can be monitored by the Undersecretariat of Treasury and the Ministry of Finance simultaneously through the infrastructure prepared by the Central Bank using secure IT architecture.

Within the system that became effective with 9 central accounting units in 2008, the payments of 19 central accounting units are successfully processed through the Central Bank. In figures, from the beginning of 2011 to the end of March 2012, the number of payment orders that were executed through PEPS was 399,775, amounting approximately to 179 billion Turkish liras.

Distinguished Participants,

Today, another important step is being taken for the countrywide expansion of the implementation of PEPS, the legal infrastructure of which was reshaped by the procedures and principles published on 18 June 2011, to cover payment transactions of provincial accounting units still successfully carried out by Ziraat Bank.

With the utilization of PEPS by all accounting units throughout Turkey, all public payment transactions will be processed electronically and mistakes that may stem from “manual” operations will be minimized. Besides, in line with the e-government approach recently developed to increase efficiency in the public sector, PEPS is crucial for its positive contribution to environmental protection by preventing waste of paper and time.

While delivering my concluding remarks, let me express my appreciation and gratitude to everyone who contributed to the development of the public electronic payment system in Turkey and made it a global model. Thank you for your attention.