

THE NATIONAL PAYMENT SYSTEM AND THE INTEGRATION OF THE STATE TREASURY IN THIS SYSTEM

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ABSTRACT: *The concept of State Treasury is strictly related to the concept of public finances. The Treasury focuses all the financial resources of the public sector, and through its functions is the administrator of public funds, the entire execution of the State Budget is being carried out through the Treasury, therefore the security of these operations is vital. The National Payment System administered by the National Bank of Romania was created in order to ensure the performance of the respective operations safely, in real time and in a firm discipline.*

KEY WORDS: *State Treasury, Electronic Payment System, The National Payment System.*

JEL CLASSIFICATIONS: *H61, H62, H63.*

1. INTRODUCTION

The consolidation of the banking system and the significant increase of the volume of operations determined the National Bank of Romania to create procedures and norms in order to ensure the performance of the respective operations safely, in real time and in a firm discipline.

Under these conditions, the National Payment System administered by the National Bank of Romania was created, which represents a "set of instruments, banking procedures and rules that ensure the transfer of funds between participants in the system (BIS, 2011) (State Treasury, credit institutions or financial institutions). The system operates on the basis of an agreement between the participants and the National Bank of Romania, as a system operator, and "the transfer of funds is carried out through an agreed technical infrastructure" (BIS, 2011). The National Payment System is an electronic one, that is why it is called the Electronic Payment System (EPS).

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The Electronic Payment System is managed by the National Bank of Romania (NBR Order 637/2011, Directive 98/26/CE). The implementation period of this system was 2 years, the implementation was possible due to the sustained efforts of the National Bank of Romania, the State Treasury, the Romanian banking community and the Funds and Settlements Transfer Company-TRANSFOND SA.

The State Treasury joined the Electronic Payment System (EPS) in September 2003. Since the implementation of EPS in our country, the State Treasury is an important participant of this system.

2. THE ELECTRONIC PAYMENT SYSTEM

The Electronic Payment System (SEP) has three component subsystems, namely:

The RTGS (Real Time Gross Settlement) system is a system with real-time gross settlement and is used for high value payments. In the case of the RTGS system, the processing and settlement is performed in real time, each transfer is settled individually. The RTGS system used in our country is called **ReGIS** (Romanian electronic Gross Interbank System Settlement).

The high value payment settlement system - ReGIS is offered and administered by the National Bank of Romania, it is used in case of high value lei operations (over 50,000 lei), in case of urgent operations, in the case of interbank transfers and for central bank operations. The ReGIS system came into operation on April 8, 2005. Until March 2018, it was carried out by BNR and TRANSFOND S.A.” (<http://www.bnr.ro/Sistemul-ReGIS-307.aspx>), and since March 2018 it has been carried out only by BNR.

The ACH (Automated Clearing House) system is used for low value payments. The **SENT** system (STFD-TRANSFOND Net Settlement Electronic System) is an electronic system for multilateral clearing of national interbank payment instructions denominated in lei, of low value and high volume transmitted between participants, during several daily sessions (<http://www.bnr.ro/Sisteme-pentru-plati-de-valoare-micasi-volum-mare-3110.aspx>).

The SENT system is exclusively for operations in lei. Compensation is performed at the file level, each file can contain a maximum of 1000 instructions. The compensation is done through the ReGIS System, and during one day three compensation sessions take place.

The Government Securities Registration System (**GSRS**) is the system used for the registration and settlement of government securities transactions. In Romania this system is called **SaFIR**. The SaFIR entered into operation on 3 October 2005 and was developed and implemented under the same PHARE program as the ReGIS System. “The SaFIR system is a system for depositing and settling financial instruments, administered by the National Bank of Romania (BNR).

The system performs the deposit of government securities and certificates of deposit issued by the National Bank of Romania as well as the settlement of operations with such financial instruments. The system ensures the processing, in real time, of the transfer orders (respectively, on a continuous basis), as well as the immediate finality of the settlement” (<http://www.bnr.ro/Sistemul-SaFIR-308.aspx>).

These payment systems have been designed and implemented in accordance with the provisions of European directives (Directive 98/26/CE).

3. EXECUTION OF PUBLIC BUDGETS THROUGH THE TREASURY, USING THE ELECTRONIC PAYMENT SYSTEM

The State Treasury is an important participant of the Electronic Payment System, administered by the National Bank of Romania. The volume of operations carried out through the three components of the Electronic Payment System is estimated at over 45% of the total volume of banking system transactions.

The application of the Electronic Payment System with all its components ensures for the State Treasury:

- ✓ the collection of incomes and the making of payments ordered by the authorizing officers are transferred to the basic account of the State Treasury, and the payments are transferred from this account to the account of the holders, who can have accounts with any of the 47 banks in Romania;
- ✓ the old practice in which the banks managed the transactions were changed, so that they can no longer retain in the respective bank's account the budget revenues for at least 24 hours in order to ensure the daily balance at the level of the minimum required reserves;
- ✓ increased the capacity to know and analyse the basic account opened at the National Bank of Romania, the information obtained being used in the term forecast both for revenues and payments, and for each public budget;
- ✓ the fiscal bodies have increased possibilities to highlight chronologically the way of liquidation of the budgetary receivables on the economic agents and to order measures when there are slippages from the fiscal-budgetary discipline;
- ✓ payments of budgetary funds by subdivisions established by authorizing officers are recorded in the Treasury's accounts on a regular basis, contributing to the knowledge at any time of the remaining appropriations available, to be used and for which they require financial coverage, i.e. taxes and fees collected, loans to finance the budget deficit, etc.;
- ✓ careful analysis on the basis of documents highlighted the positive effects of the application of the Electronic Payment System, which is reflected both in the debit of the basic account of the State Treasury and in the execution of public budgets. As mentioned, the settlement of payment instructions within the system can be done on a gross or net basis.

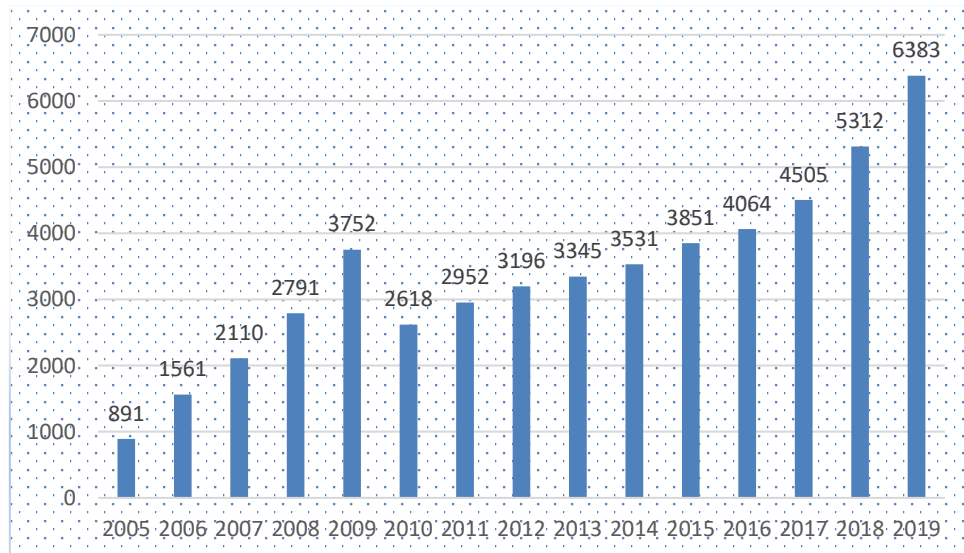
In order to highlight the importance of EPS, we analysed the volume of operations carried out by EPS both in terms of the number of operations and in terms of the total value of transactions, from its implementation in 2005 until the end of 2019, the data being presented in the following table:

Table 1. Electronically processed payment operations 2005-2019

Year	ReGIS		SENT	
	Operations [thousand]	Value [bilions]	Operations [thousand]	Value [bilions]
2005	891	2103	31.935	81
2006	1561	1927	54.796	143
2007	2110	3530	55.432	167
2008	2791	4923	51.695	206
2009	3752	7521	55.440	233
2010	2618	5928	56.683	231
2011	2952	6365	57.414	248
2012	3196	7608	58.838	259
2013	3345	6755	62.010	263
2014	3531	6725	68.540	278
2015	3851	7599	76.709	305
2016	4064	9829	82.098	318
2017	4505	9178	91.450	344
2018	5312	10018	105.886	383
2019	6383	8595	119.434	436

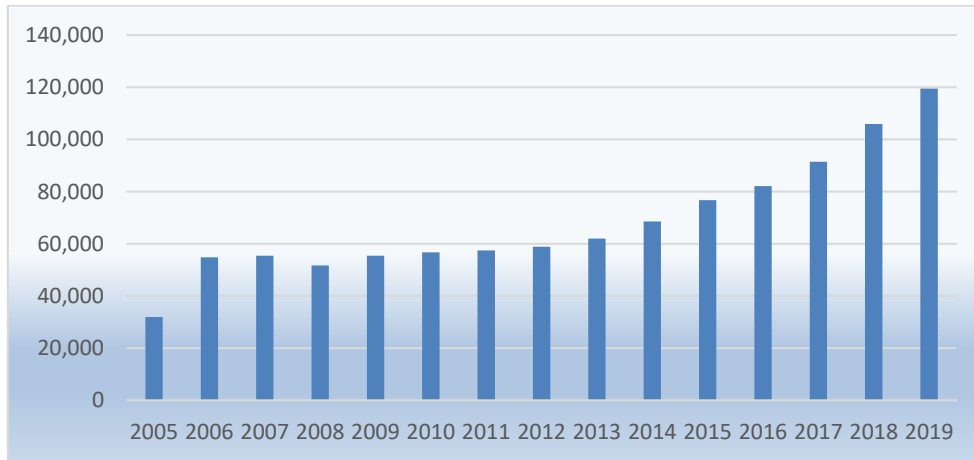
Source: author processing based on data from the annual reports of TRANSFOND SA and the National Bank of Romania

The evolution of the volumes of operations processed through the ReGIS system and the SENT System in the analysed period are presented in the following two figures.



Source: author processing based on the data in Table 1.

Figure 1. The evolution of the volumes of operations processed through the ReGIS system between 2005-2019 in thousands operations

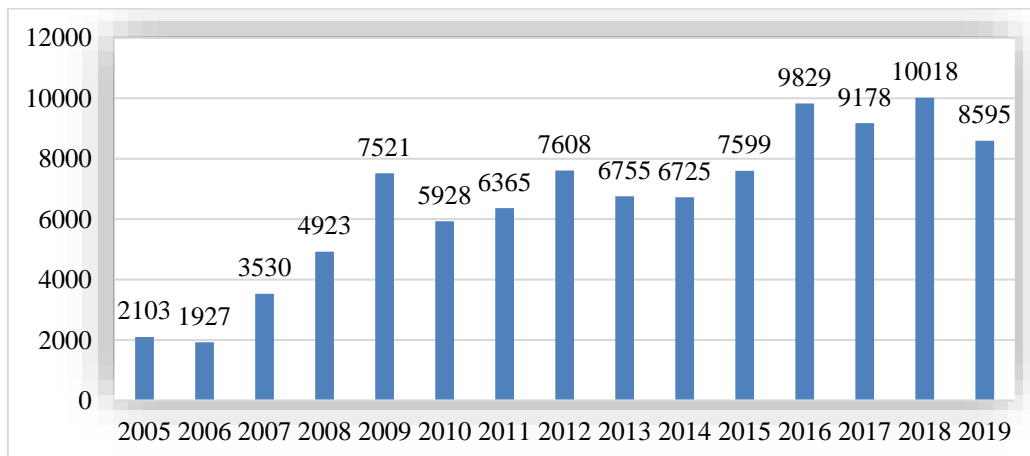


Source: author processing based on the data in Table 1.

Figure 2. Evolution of the volumes of operations processed through the SENT system in the period 2005-2019 in thousands of operations

Following the analysis of the number of operations processed through the two systems, we found the following:

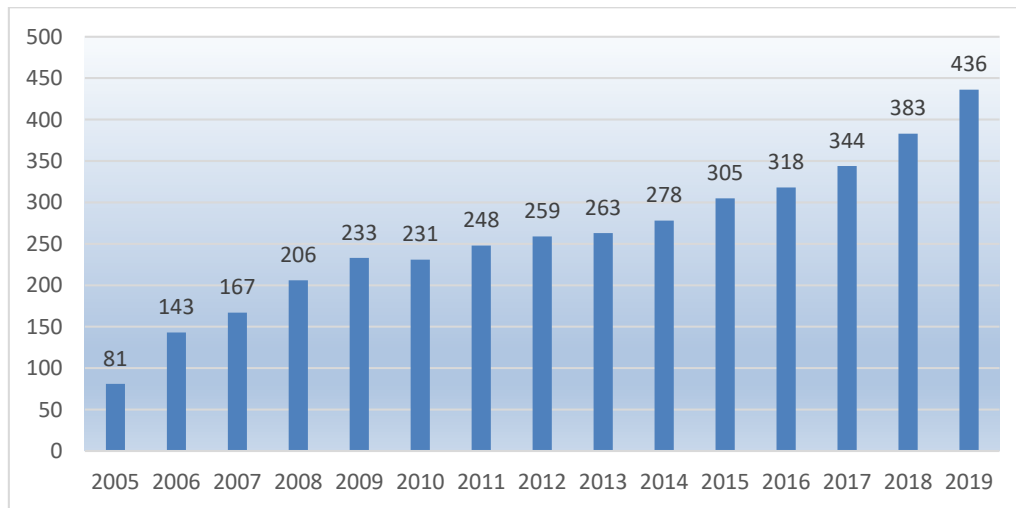
- ✓ in principle, we notice an increase in the number of operations carried out through EPS in the period 2005-2009 and then in the period 2010-2019;
- ✓ the decrease in the number of operations carried out by ReGIS in 2010 compared to 2009 was due to legislative changes regarding payment instructions (mainly the introduction of single accounts for the transfer of salary contributions due: single account for the state budget and single account for the social insurance budget state).



Source: author processing based on the data in Table 1.

Figure 3. Evolution of the value of electronically processed payment operations in the period 2005-2019 in the ReGIS system (billion lei)

Next, we conducted a study on the evolution of the value of operations processed in the two systems (ReGIS and SENT), because an analysis based only on the number of operations performed cannot be relevant if it is not correlated with an analysis of the value of operations performed. These developments are presented in figures 3 and 4.



Source: author processing based on the data in Table 1.

Figure 4. Evolution of the value of electronically processed payment operations in the period 2005-2019 in the SENT system (billion lei)

Following the analysis of both the volume and the value of the operations processed through the two systems, we found the following:

- ✓ the increasing trend observed in the number of operations performed by EPS is also transmitted on the value. The decrease in the number of operations in 2010, compared to 2009, was mainly due to the introduction of the single account for the payment of obligations to the state budget and the single account for the payment of obligations to the state social insurance budget;
- ✓ and the change in tax rates was also transmitted in the evolution of the value of payment operations processed by EPS.

The introduction of the EPS also had the effect of reducing the fees charged. Their evolution is presented in the following table.

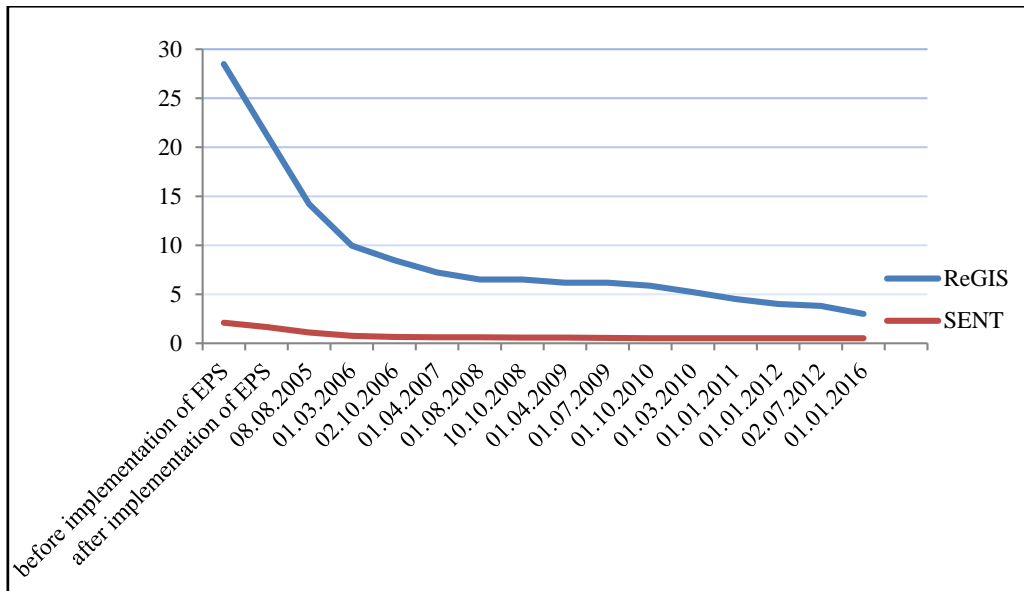
In the case of the ReGIS system, there is a significant decrease in the commission charged from 28.5 lei to 3 lei per operation. Also, starting with 08.08.2005, the commission is charged only from the paying unit.

In the SENT system, the commission decreased from 2.09 lei to 0.51 lei per operation. As in the case of the ReGIS system, and in the SENT system, starting with 08.08.2005, the commission is charged only from the paying unit.

Table 2. Evolution of the fees charged

	ReGIS			SENT		
	Total commission as follows:	Payer	Beneficiary	Total commission as follows:	Payer	Beneficiary
Before implementation	28.5	14.25	14.25	2.09	1.045	1.045
After implementation	21.3	14.2	7.1	1.65	1.1	0.55
08.08.2005	14.2	14.2	–	1.1	1.1	-
01.03.2006	9.95	9.95	–	0.75	0.75	-
02.10.2006	8.46	8.46	–	0.64	0.64	-
01.04.2007	7.23	7.23	–	0.61	0.61	-
01.08.2008	6.5	6.5	–	0.61	0.61	-
10.10.2008	6.5	6.5	–	0.58	0.58	-
01.04.2009	6.18	6.18	–	0.58	0.58	-
01.07.2009	6.18	6.18	–	0.55	0.55	-
01.10.2010	5.87	5.87	–	0.51	0.51	-
01.03.2010	5.22	5.22	–	0.51	0.51	-
01.01.2011	4.51	4.51	–	0.51	0.51	-
01.01.2012	4	4	–	0.51	0.51	-
02.07.2012	3.81	3.81	–	0.51	0.51	-
01.01.2016	3	3	–	0.51	0.51	-

Source: author processing based on data from the annual reports of TRANSFOND SA



Source: author processing based on data from the annual reports of TRANSFOND SA

Figure 5. The evolution of fees charged between 2005-2016

The Electronic Payment System has operated without major disruptions since its implementation in 2005 until now.

According to the statistics of the Central Bank and the financial-banking activity, Romania was in the last places, between Greece and Bulgaria, the number of transactions and the number of inhabitants.

4. CONCLUSIONS

The implementation of the electronic payment system was a necessary measure for the financial integration of Romania in the European Union, generating a series of advantages at country level, such as increasing the efficiency and operability of payment activity in our country, increasing the security of interbank transactions for all the entities involved, ensuring an efficient risk management and last but not least the optimization of the liquidity risk (STFR-TRANSFOND, 2019).

The importance of the Electronic Payment System has determined the maintenance of the quality level, the high availability and the security of the channels used, the standard and the adherence to the European standards in the field. The Electronic Payment System has multiple advantages, among which we mention: it is a centralized system, has a single access point, there are 3 settlement cycles per day performed in real time, there is a single circuit, increased data security, high availability, costs and reduced processing fees and last but not least simplify the work of system workers.

Considering the fact that computerization has covered all spheres of activity, we consider that the State Treasury cannot be an exception, therefore we propose: the extension of the Ghiseul.ro platform for the payment of all fiscal obligations and the implementation of a system (on the banking model) through which state institutions and economic agents that have current accounts opened with the Treasury can make online payments from the current account.

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