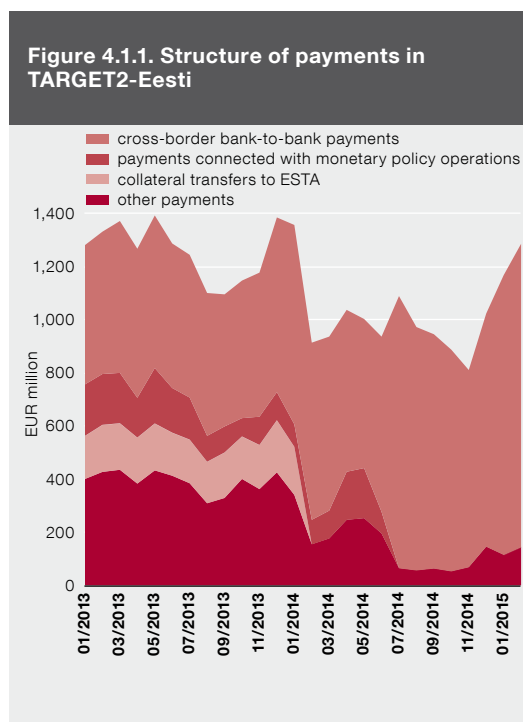


4. SYSTEMICALLY IMPORTANT PAYMENT AND SETTLEMENT SYSTEMS

4.1. INTERBANK SETTLEMENT SYSTEMS

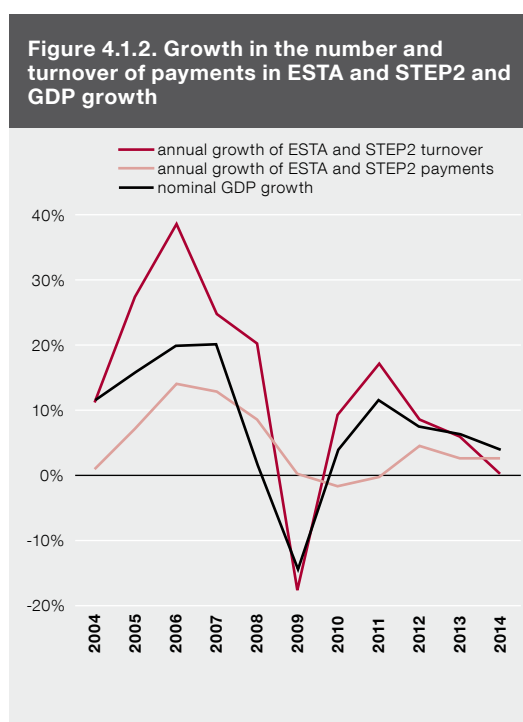
An average of 759 payments per day were made through the **TARGET2-Eesti settlement system for large-value payments** in the second half of 2014, with a total value of 956 million euros (see Figure 4.1.1). The number of payments was almost double that of a year earlier, but the total value was 6% smaller. The biggest increase was in the number of cross-border customer payments. Domestic payments were affected by the closure of the ESTA retail payment system in February 2014 while the factor that most affected the value of TARGET2-Eesti was that Estonian banks no longer made any payments in connection with the monetary policy transactions of the Eurosystem. More than 90% of the total value of the system in the second half of 2014 came from cross-border interbank payments, most of which were made within the largest banking groups.



Retail payments are settled in the **EBA Clearing STEP2 system**, which handled an average of around 105,000 domestic payments a day in the second half of 2014, with a total value of 142 million euros. There were 1% fewer payments than in the ESTA retail payments system a year before, and the total value was 4% smaller. The average size of domestic retail payments made through STEP2 in the second half of 2014 was 1352 euros, and in the past four years it has not changed much and has remained in the region of 1300 euros. The total value of interbank retail payments reflects the general level of economic activity (see Figure 4.1.2).

4.2. RISKS TO THE PAYMENT AND SETTLEMENT SYSTEMS AND THE OVERSIGHT ASSESSMENT

The aim of oversight is to help ensure the safety and efficiency of payment and settlement

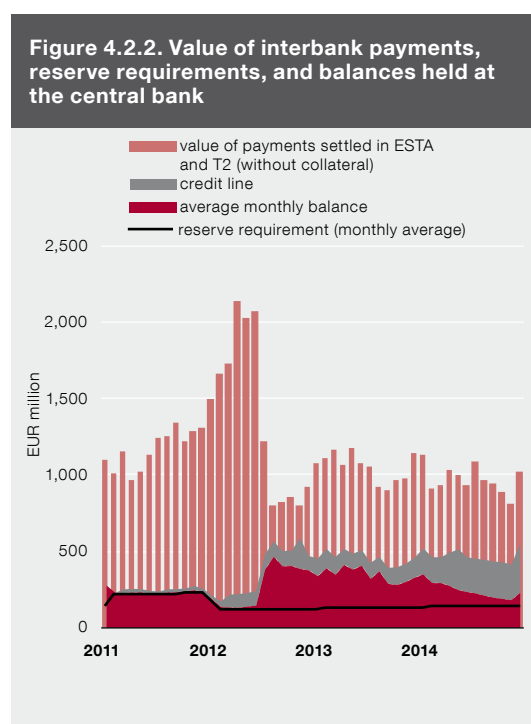
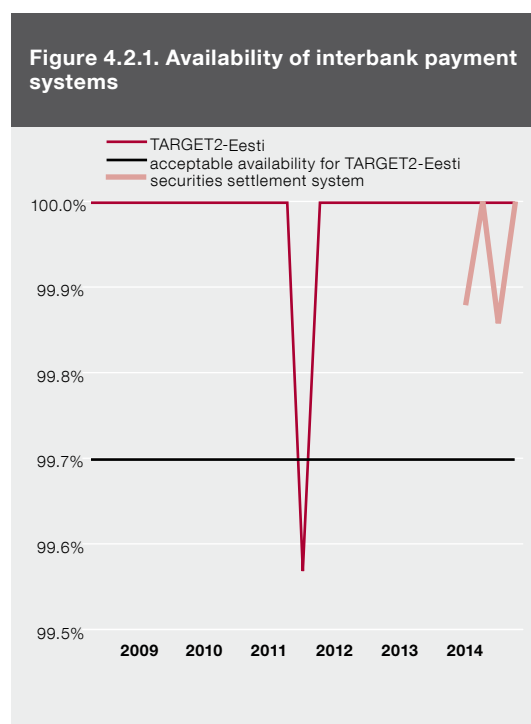


systems. This is done by identifying risks in the systems, analysing them, and giving recommendations to operators of payment and settlement systems on how to reduce those risks and improve the efficiency and security of the systems.

Eesti Pank oversaw two systemically important systems in 2014, which were the TARGET2-Eesti real-time gross settlement system operated by Eesti Pank and the securities settlement system operated by the Estonian Central Securities Depository. The card payment system was also brought under oversight at the start of 2015, as it affects the circulation of currency because the volume of card payments in the system is so large.

TARGET2-Eesti functioned without any major incidents in the second half of 2014, and the availability of the system was 100%. Two incidents in the single shared TARGET2 platform had some effect on the system and on the banks operating in Estonia. The service provider caused a 25-minute interruption to the connection on 15 October, and on 9 December there was an incident where system participants were without information on the functioning of the system at the end of the day, though no payment was left unmade. This incident extended the working time of the system by one hour. These incidents did not impact the availability of the system (see Figure 4.2.1).

The liquidity buffers of the banks were sufficient for making settlements without any disturbances and the demand for intra-day liquidity from Eesti Pank was minimal. Only three banks out of six that had set up the intra-day lending facility used the credit line, which is opened against pooled collateral. Overnight credit was not required by any of the banks. The average balance held by the banks at Eesti Pank in the second half of



2014 was 212 million euros. These account balances were reduced following the decision of the ECB on 11 June 2014 to introduce negative interest rates on its deposit facility (see Figure 4.2.2).

Banks operating in Estonia use two systems besides TARGET2-Eesti, both of them systemically important Eurosystem payment systems operated by EBA Clearing. These are the STEP2 settlement system for retail payments and the EURO1 net settlement payment system for large-value euro payments, and these cross-border systems also operated without major incident in the second half of 2014.

The securities settlement system managed by the Estonian Central Securities

Depository saw one incident in the second half of 2014, which lowered its average availability rate for the second half of the year to 99.92%. There was an interruption of 48 minutes on 30 September in the connection of account operators to the securities settlement system because of a network connection problem. Account operators were given due notice of the problem.

The Central Securities Depository is implementing the recommendations resulting from the assessment of the securities settlement system and it is also implementing important development projects like the preparations for joining T2S and the development of the X-stream settlement platform.