

BANCO DE CABO VERDE

CAPE VERDE PAYMENT'S SYSTEM

2011 REPORT

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List of Acronyms

ATM - Automated Teller Machine
CCSP - Coordination Committee for the Development of Payment System
CIC – Check Incident Report Office
CI - Credit Institutions
IBAN - International Bank Account Number
IMM - Interbank Money Market
IOM - Intervention Operations Market
BIC - Bank Identifier Code
GDP - Gross Domestic Product
PIGIT - Integrated Information Technology Infrastructure Management Project
POS - Point of Sale
SGDL - Deposit and Settlement Management System
SICIL - Integrated Interbank Clearing and Settlement System
SISP - Interbank Company and Payment Systems
SWIFT - Society for Worldwide Interbank Financial Telecommunications
EFT - Electronic Funds Transfer System
APT - Automatic Payment Terminal
Vinti4 - Cape Verde's ATM and POS Network

Bancos Comerciais

BAI – Banco Africano de Investimentos
BCA – Banco Comercial do Atlântico
BCN – Banco Caboverdiano de Negócios
BESCV – Banco Espírito Santo de Cabo Verde
BI – Banco Interatlântico
CECV – Caixa Económica de Cabo Verde
ECV – Ecobank de Cabo Verde
NB – Novo Banco (New Bank)

Outras Entidades

BVC - Cape Verde Stock Exchange
Agência de Câmbios 24 Horas (24-hour Currency Exchange Office)
Agência de Câmbios – Cotacâmbios (Currency Exchange Office)
CCV - Cape Verde's Postal Service

INTRODUCTION

Like previous editions, the “Report on Cape Verde’s Payment System – 2011” proposes to underline the most important events in terms of payment system development in Cape Verde, based on statistical information on payment systems that was presented in an accessible and comprehensive manner, and to also describe the most relevant events, both regarding transactions in the clearing and settlement systems and with respect to the regulation and control exercised by Banco de Cabo Verde as the entity responsible for overseeing the system.

The report also seeks to highlight the strategic guidelines related to development of the domestic payment system, in accordance with international norms and standards and as part of the duties of Banco de Cabo Verde (BCV), both as promoter of high security and efficiency standards and catalyst of the system’s development, in the context of minimizing operational risks and costs, and as the system operator responsible for managing and regulating the clearing and settlement systems, seeking to ensure their efficient operation. In reality, these duties are covered by Article 19 of its Organic Law which stipulates that “BCV is responsible for directly ensuring or regulating, overseeing and promoting the smooth operation of clearing and payment systems.”

In this context, BCV oversees the payment system so as to ensure systemic stability, security and proper use of payment instruments. Banco de Cabo Verde’s oversight activities focus mainly on continuous monitoring of interbank clearing and gross settlement systems in the light of compliance with the rules and procedures governing the operation of such systems. BCV also issues regulations and analyzes statistical data that enable periodic monitoring of the System.

Regarding means of payment and payment instruments, 2011 was characterized by increased use of electronic tools, particularly payment cards, which represented 71.4% of total transactions made with payment instruments in use nationwide. In fact, this growth is reflected in the downward trend of the “preference for central bank money” ratio, which reinforces Cape Verdeans’ preference for electronic instruments.

Overall, the settlement system (Deposit Management and Settlement System - SGDL) showed an increase in transactions, in terms of both volume and value, with 5,951,232 transactions being made, valuing to 935,036.5 million escudos. In line with what has been observed over the years, clearing settlement contributed about 99.9% of total transactions and 19.6% of total value, while gross settlement represented 0.1 % of total transactions and about 80.4% of total value.

The clearing settlement system – Integrated Interbank Clearing and Settlement System (SICIL) – had a bigger growth (33.1% in volume and 2.3% in value), as reflected in the daily average of transactions processed, which went from 12,797

transactions/day, valuing to 694.2 million escudos, in 2010, to 16,874 (+31.9%) transactions/day, valuing to 702.8 million escudos (+1.2%), in 2011.

With regard to Banco de Cabo Verde's activities in the area of payment systems, ongoing projects were consolidated, having the activities undertaken in 2011 focused on:

- i. Preparing the banking system for the start-up of the Electronic Funds Transfer System, a process which included validating operational tests and infrastructure, in close collaboration with system participants and the processing entity (SISP);
- ii. Performing (continuing) tests as part of the development of the Reserve Management System and its interfaces with settlement systems in domestic currency and foreign currency;
- iii. Conducting inspections of credit institutions, with the aim of assessing compliance with the law on restrictions on the use of checks and verifying compliance with the legal regime on the movement of funds between demand deposit accounts;
- iv. Preparing a framework of guiding principles aimed at effective implementation of the supervisory role according to international principles, focusing on security and interaction among the various systems and consequent prevention of systemic risk;
- v. Formulating a work plan in close collaboration with Banco de Cabo Verde's partners in the area of Deposit Management and Settlement System, with a view to its full development;

Also concerning activities undertaken in 2011, we highlight the publication of Notice No. 2/2011, laying down the general conditions for opening and operating deposit accounts with credit institutions that are legally authorized to carry on business in Cape Verde, and the updating of SICIL regulation, by virtue of the operationalization of the Electronic Funds Transfer System.

Regarding other system stakeholders, – banks, the Treasury and SISP, – activities continued to focus primarily on consolidating infrastructures and improving existing services and a wider coverage in terms of service and product delivery, through the emergence of new credit institutions and, consequently, expansion of branch network, a continued commitment to the development of virtual banking and new electronic channels, and expansion/enhancement of ATM and POS network to other areas and municipalities.

CHAPTER I
Payment Infrastructures

1. Payment Infrastructures

The area of information and communication technology has enjoyed remarkable growth in recent years and the banking sector is no stranger to this development. In fact, it is one of the sectors that have incorporated these technologies the most, which is reflected in the constant change in its activity, at all levels, including improvement of financial products/services offered, new distribution channels and, consequently, strong organizational restructuring. The combination of these capabilities has been the driving force behind the development and modernization of payment systems, especially in the creation and consolidation of secure and efficient payment infrastructures that ensure quick transfer of funds among system participants, in line with the major international trends in this field.

The success of this development also has the cooperation of institutions and entities that are directly or indirectly part of the Payment System in Cape Verde and that have been playing a relevant and decisive role in improving payment infrastructures and the payment system as a whole.

Along with infrastructures and traditional channels of access to payment services and means of payment, such as bank agencies/branches, the system provides other service distribution channels (ATM and POS networks, Home banking, Mobile Bank, etc.), based on modern information and communication technologies, which are an important support base, as described below.

1.1 - Traditional banking access channels

1.1.1 – Bank agencies and branches

Starting in 2008, the banking sector in Cape Verde gained a new momentum marked by the emergence of new credit institutions in the country.

In late 2011, the number of Credit Institutions in Cape Verde's banking system was eight (8) and the network of branches enjoyed a lower increase than in previous years, totaling 109 agencies/branches (2010: 105). The two largest commercial banks in the country owned 58.7% of total branches, a slight gain (2010: 58.1%) which can be explained by the moderate growth in the number of branches in the year in question, considering growth rates recorded in previous years.

Credit institutions have continuously focused on the strategy of expanding their network of agencies/branches, with a 3.9% growth. In terms of average, there was a 15.7% growth during the past five years.

In addition to the general strategy of expanding the network of branches, credit institutions have been committed to creating branches that cater specifically to

certain types of customers, particularly in the corporate segment. The pioneer of this initiative was BCA, in 2007, followed by other credit institutions (CI)¹, with a total of eight such branches (7.3% of total branches) at the end of 2011. It should be noted, however, that not all CI provide this service through branches opened solely for this purpose. Usually, they create segments within existing branches..

Table I.1 - Banking System Structure

	Volume: units	
	No. of Branches	No. of demand deposit accounts in Domestic Currency
2011	109	525,486
2010	105	489,189
2009	91	457,326
2008	77	414,794
2007	62	390,241
2006	53	350,638
	Growth rate (%)	
2011	3.8	7.4
2010	15.4	7.0
2009	18.2	10.3
2008	24.2	6.3
2007	17.0	11.3
Average rate	15.7	8.4

Source: Credit Institutions

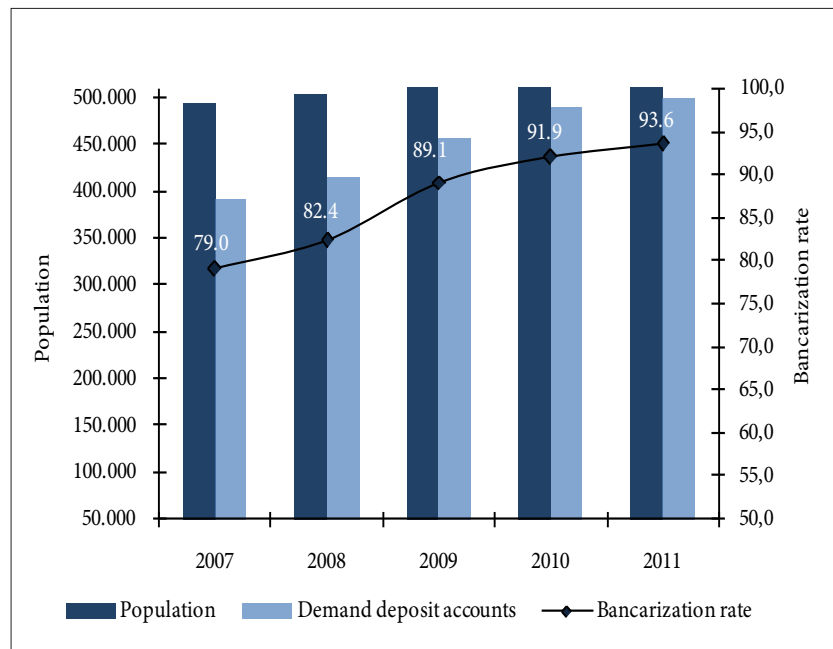
The network of branches has been expanding rapidly, as evidenced in the growth of demand deposit accounts in domestic currency, with an annual growth rate of 8.4% within the past five years. During 2011, 36,297 new accounts were opened, bringing the total to 525,486, which is a 7.4% increase over the previous year (489,189).

Of the 36,297 accounts opened in 2011, 40.8% (14,809) relate to private accounts, 59.1% (21 452) to accounts opened by companies, and the remaining 0.1% (36) relate to State and other entities' accounts.

The bankarization rate (access to banking services) in Cape Verde has evolved positively, establishing itself as an expectable and important indicator for the national payment system, having reached 93.6% at the end of 2011, which corresponds to an increase of 1.8 % over the same period the previous year. Although only deposit accounts opened by individuals were considered when calculating the bankarization rate in the period in question, this ratio will continue to reflect a slight bias, due mainly to the fact that some people opened more than one account.

¹ Except Ecobank and Novo Banco (New Bank).

Graph I.1 - Evolution of demand deposit accounts in Domestic Currency and bankarization rate*



* Population data in 2011 according to the National Statistics Institute's (INE) projections
Source: BCV

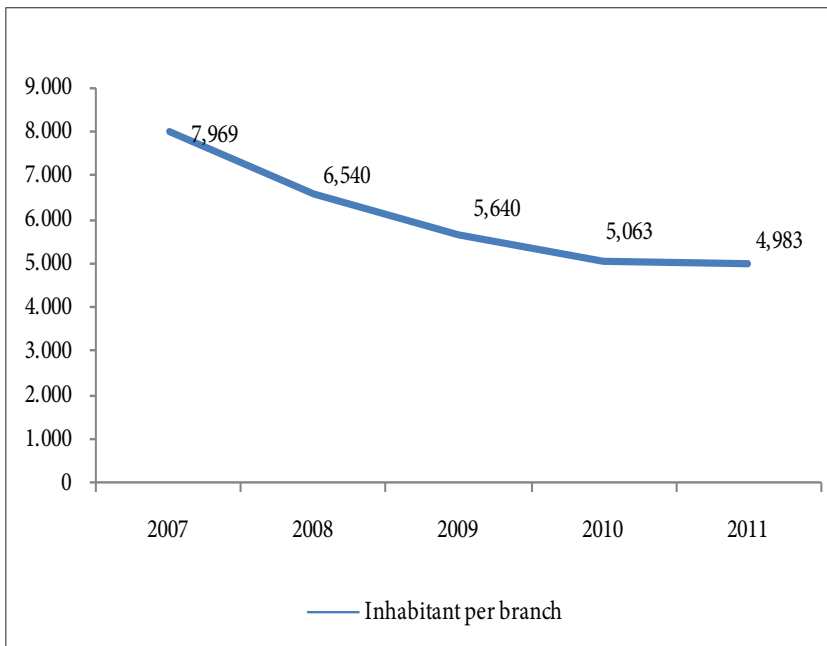
As regards geographical distribution of banks, the country's northern region was covered with at least one branch per municipality (100%), while in the southern region the coverage rate was 92.8 %, with only one municipality² without a single branch. In the whole country, the coverage rate was 95.5% (21 municipalities).

The municipality of Praia stands out with the largest number of agencies/branches, with 36 in 2011, representing approximately 33.0% of the total number of branches nationally and 72.0% of all branches based on Santiago Island.

As regards population coverage, the average over the past five years has enjoyed a positive growth (Graph I.2), with fewer inhabitants per agency/branch. In 2011 the average was approximately one branch per 4,983 inhabitants (2010: 5068 inhabitants), according to the National Statistics Institute's (INE) demographic projections.

² São Lourenço dos Órgãos

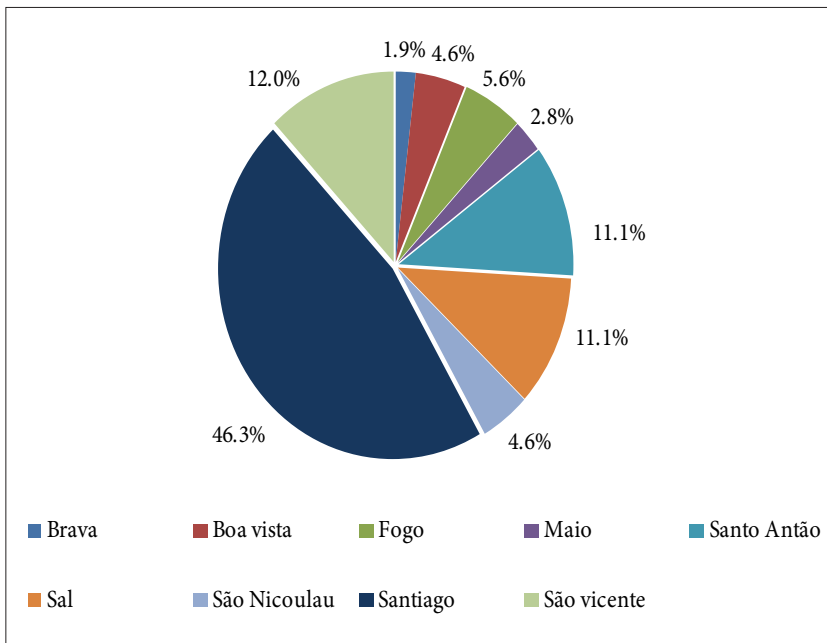
**Graph I.2 - Evolution of average number of people covered per branch
2007-2011**



Source: BCV

In terms of concentration of banks, Santiago Island continues to lead, with a total of 50 branches (46.3%), which reflects a 3.3% growth over 2010. As far as population coverage, the island has an average of about one agency/branch per 6,005 inhabitants.

**Graph I.3 - Geographical distribution of banks
2011**



Source: BCV

Santiago is followed by the islands of São Vicente, with 13 branches (2010: 12) and 12.0%, which represents a slight increase in overall share (2010: 11.4%), Sal and Santo Antão, with 12 branches each and 11.1% of overall branches. Fogo has 5.6% of total branches (6), followed by Boa Vista and São Nicolau, both with 4.6% (5), Maio, with 2.8% (3), and Brava, with 1.9% (2).

Banco Comercial do Atlântico and Banco Caboverdiano de Negócios continue to be the only two institutions present on all the inhabited islands, with branches in 20 and 16 municipalities, respectively. Caixa Económica de Cabo Verde is present on 8 islands (18 municipalities) and provides banking services to the public at the Post Office in municipalities where it doesn't have branches.

1.1.2 - Other traditional channels

Currency Exchange Offices and Post Offices also act in the payment system in Cape Verde, contributing to its development, be it by offering the public a specific system of national and international payments, independent from the banking system, or acting as an agent for other entities.

In late 2011, out of the seven currency exchange offices authorized to operate in the country, only three were operating, providing a total of 5 branches and 19 extensions on the islands of Santiago, São Vicente, Sal and Santo Antão.

With a total of 82 branches and covering all municipalities in the country, Post Offices act in the domestic payment system in two ways: first, with a specific system for national and international payments through a broad portfolio of products and services, including postal orders, faxes and postal checks used by businesses and individuals, and, second, acting as an Agent for Caixa Económica de Cabo Verde, providing the public with certain banking services. In some areas, this service benefits from a network that is larger and more dense than the banking network and is targeted specifically for people with no access to banking services.

The islands of Santiago, Santo Antão and Fogo concentrate 64.6% of branches (53), with 34 branches (41.5%) in Santiago alone. Of all branches located on Santiago Island, twelve (12) are in Praia.

1.1.3 - Internet Banking

The changes that have been occurring in the banking sector in recent years, as a result of the globalized economy and competition, have led credit institutions to invest heavily in the incorporation of new technologies across their range of activities, in order to improve services provision, in a context where the hustle and bustle of everyday life drive customers to demand a greater variety of channels that enable them to monitor the position of their accounts at any time.

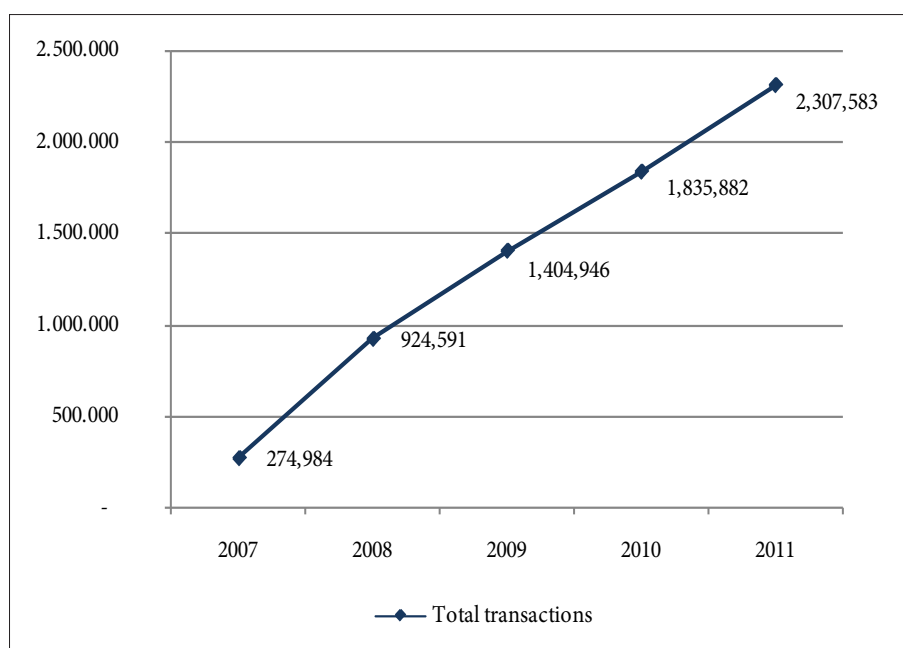
Mindful of their customers' needs, credit institutions in the country now offer a channel through which customers can access services without having to physically go to a branch or contact banks through other channels. This service, which has been called home banking, Internet banking, and also virtual banking, is offered

to all customers with direct access to the Internet, but it can also be accessed at hotspots (public places that provide access to wireless technologies, that is, Wi-Fi networks), enabling people to perform a variety of banking transactions regardless of their geographic location, safely, conveniently and without time constraints. This banking access channel provides many features, in an attempt to cover most of the features available through other channels, including balance and movement checks, consolidated account position checks, interbank and internal transfers, purchase of mobile phone minutes, payment of services, financial simulations, check requests, BIC and IBAN checks, among a host of other operations.

In 2011, five of the eight credit institutions offered this service to their customers. Banco Comercial do Atlântico (BCA) was the precursor, with BCA DIRECTO in 2003, followed by Banco Interatlântico (BI), with BIn@NET, Caixa Económica de Cabo Verde (CECV), with CAIXAnet in late 2006, Banco Cabo Verdiano de Negócios (BCN), with BCNonline in 2007, this one offered through the vinti4 portal, and Banco Africano de Investimentos (BAI), with BAI@net in 2011.

An analysis of graph I.4 shows the evolution of this service's acceptability by the population, a fact evidenced by the growing number of transactions made through this channel over the past five years. Regarding the year under review, there was a 25.7% growth in volume compared to 2010, going from 1,835,882 transactions in 2010 to 2,307,583 transactions in 2011, of which about 5.1% referred to transactions involving movement of funds (transfers), in the value of 16,718.5 million escudos (2010: 5,363.1 million escudos).

Graph I.4 – Evolution of Internet banking transactions 2007-2011



Source: BCV

Of all transactions involving movement of funds processed through this channel, 86.4% in volume (100,837) and 71.3% in value (11,916.7 million escudos) were related to intra-bank transfers, seeing that there were 15,864 (13.6%) interbank transfers, in the value of 4,801.8 million escudos (28.7%).

Table I.2 - Internet Banking Transactions

	Volume: units; Value: million escudos					
	2010		2011		Change %	
	Volume	Value	Volume	Value	Volume	Value
Checks	1,769,871	-	2,190,882		23.8	-
Transactions involving movement of funds	66,011	5,363.1	116,701	16,718.5	76.8	211.7
Transfers						
Intra-bank	61,310	4,749.6	100,837	11,916.7	64.5	150.9
Interbank	4,701	613.5	15,864	4,801.8	237.5	682.7

Source: Credit Institutions

1.2 - Payment networks

1.2.1 - Vinti4 network

The vinti4 network is the only shared network of ATMs and POS in the country, with great development potential and covering an increasing number of services. In operation since 1999, the network, which is managed and operated by SISP, served as a lever for the popularization of electronic payments in Cape Verde, a fact corroborated by expansion and growth indicators relating to use of services, expansion of coverage to all islands, and also introduction of new solutions that contribute to make the domestic payment system more efficient.

In addition to transactions at ATMs and POS, the network covers transactions performed on mobile phones (Televinti4) and the Internet (vinti4net Portal), as shown below.

The number of terminals has been growing steadily, with a total of 2,764 at the end of 2011, of which 151 were ATMs and 2,613 POS. Compared to 2010 (2,126 terminals, of which 141 were ATMs and 1,985 POS), the increase was most significant in terms of POS (31.6%) than ATMs (7.1%). On average, over the past five years, the number of ATM and POS grew 20.6% and 47.8%, respectively, per year.

Overall, 11,681,474 transactions were carried out on the network, of which 73.3% were performed through ATM (2010:77.7%), 24.0% through POS (2010:19.3%), and the remaining 2.7% through other network access channels [Vinti4net and Televinti4 (2010:3,0%)].

Table I.3 - Cards and vinti4 network terminals

	Unit				
	2007	2008	2009	2010	2011
Number of Terminals	809	1,115	1,518	2,126	2,764
ATM	87	109	122	141	151
POS	722	1,006	1,396	1,985	2,613
Cards	82,735	103,029	119,159	173,985	196,360
Vinti4* cards	79,371	100,279	114,088	166,204	189,387
International cards	3,364	2,75	5,071	7,781	6,973
	Growth (%)				
Number of Terminals	81.0	37.8	50.7	57.8	38.7
ATM	42.6	25.3	11.9	15.6	7.1
POS	87.0	39.3	38.8	42.2	31.6
Cards issued	-1.7	24.5	13.8	45.7	13.9
Vinti4 Cards	-3.7	26.3	13.8	45.7	13.9

* Data regarding vinti4 cards in this table have been updated to reflect the number of active cards in the network.

Source: SISP; Credit Institutions

The ATM network provides coverage to all islands and municipalities in the country, with an average of 17 terminals per island and 7 per municipality, and, through its terminals, it provides a wide range of services and features to its users, particularly cash withdrawals, money transfers, payment of services, checking balances and movements, buying mobile phones minutes, checking BIC/IBAN, among others. Note that, with the expansion of the ATM network throughout the country, terminals have been installed in various sites. For instance, in 2011 approximately 29.1% (44) were installed outside bank branches: in shops, hospitals, ports, airports, public services and hotels.

Table I.4 - Geographical distribution of vinti4 network terminals - 2011

	No. of ATM	No. of POS	Weight of ATM (%)	Weight of POS (%)
Santiago	75	1,305	49.7	49.9
Sal	19	472	12.6	18.1
São Vicente	19	469	12.6	17.9
Fogo	7	45	4.6	1.7
Santo Antão	10	69	6.6	2.6
São Nicolau	5	34	3.3	1.3
Boa Vista	11	191	7.3	7.3
Maio	3	20	2.0	0.8
Brava	2	8	1.3	0.3
	151	2,613	100.0	100.0

Source: SISP

Santiago Island has the highest concentration of terminals, with 49.7% of ATM and 49.9% of POS, followed by Sal, with 12.6% of ATM and 18.1% of POS in the country. São Vicente Island has 12.6% of total ATM and 17.9% of total POS. Important to note is the performance of Boa Vista Island, where the number of ATM and POS grew by 57.1% and 52.8%, respectively, rising from 132 terminals in 2010 (7 ATM and 125 POS) to 202 terminals in 2011 (11 ATMs and 191 POS).

Table I.5 - Transactions made through vinti4 network service channels – 2011

Volume: units; Value: million escudos		
	Volume	Value
ATM	8,562,052	26,512.8
Transactions involving movement of funds	5,322,341	26,512.8
Transactions not involving movement of funds	3,239,711	-
POS	2,812,293	12,677.9
TELEVINTI4	305,034	124.1
Transactions involving movement of funds	235,603	124.1
Transactions not involving movement of funds	69,431	-
VINTI4 NETWORK PORTAL	2,095	236.8
Transactions involving movement of funds	1,923	236.8
Transactions not involving movement of funds	172	-
Total Transactions involving movement of funds	8,372,160	39,551.6
Total Transactions not involving movement of funds	3,309,314	-

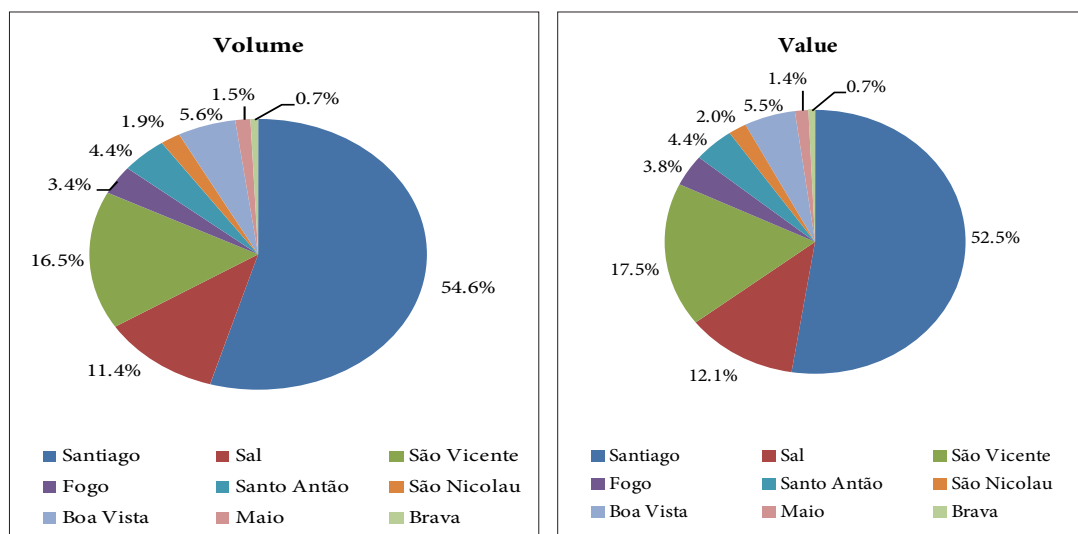
Source: SISP

Over the years, ATM has become the most sought after service by users, accounting for 8,562,052 transactions, of which 5,322,341 involving movement of funds, totaling 26,512.8 million escudos. In terms of variation, there was an increase of 18.9% in volume and 11.5% in value, when compared to the previous year. This is due, not only to expansion of the terminals network to areas where it was not present and enhancement of concentration in areas already covered, but also to the diversity of operations available, allowing users greater freedom in managing their money.

An individualized analysis of the use of this service at the national level shows (Graph I.5) the contribution of Santiago Island, which accounts for 54.6% of total transactions through ATMs (4,674,171) in the value of 13,923.4 million escudos (52.5%). Of this total, 86.9% in volume (4,062,483) and 87.1% in value (12,131.3 million escudos) were made in Praia. São Vicente ranks second in terms of number of transactions, with 1,409,850 (16.5%) totaling 4,643.3 million escudos, followed by Sal, with 980,004 (11.4%) totaling 3,208.4 million escudos. The remaining islands account for 1,498,027 transactions (2010: 1,156,820) totaling 4,737.6 million escudos (2010: 3,923.7 million escudos), 17.5% in volume and 17.9 % in value.

In short, it appears that there is a linear relationship between the islands with the highest concentration of terminals (ATM) and the islands with greater use of this service; that is, on the islands of Santiago, São Vicente and Sal, which account for 74.8% of ATMs installed in the country, there were 7,064,026 transactions (82.5%) totaling 21,775.6 million escudos (82.1%).

Graph I.5 - Distribution of ATM transactions by island



Source: SISP

The POS service has had a positive evolution over the years, reflecting its acceptance by, not only card holders, but also commercial establishments, as evidenced by the 31.6% increase (+ 628 POS) in the number of new terminals in 2011. The evolution of transactions made via these terminals is in line with the rising number of POS available. In 2011, 2,812,293 transactions totaling 12,677.9 million escudos were made through these payment terminals, which corresponds to an increase of 57.3% in volume and 41.5% in value over the previous year.

Besides making new features available through the POS (balance inquiries, purchase of mobile phone minutes, and pre-authorization of debit), the vinti4 network has introduced significant improvements in the service's management, by reducing the fees charged to establishments as a result of decreasing communication costs and reinforcement of the capacity to provide this facility, which explains the increase in demand and, consequently, the expansion of these terminals across the country.

In terms of POS use, and similar to what happens regarding the use of ATM services, Santiago leads with 60.1% of total transactions (1,690,416) made and 64.1% of value paid (8,122.3 million escudos). Of total payments made on this island, about 94.1% (1,590,456), totaling 7,772.2 million escudos (95.7%), happened in Praia. São Vicente ranks second, with 18.9% (531,051), totaling 2,090.5 million escudos, followed by Sal, with 14.4% (405,774), totaling 1,705.4 million escudos. The remaining islands participate with 185,052 transactions (6.6%), totaling 759.7 million escudos (6.0%).

The performance of Boa Vista Island regarding the use of POS service is noteworthy, as it went from a total of 57,040 transactions totaling 306.4 million escudos, in 2010, to 126,250 transactions (over 100% growth) totaling 513.6 million escudos (67.6% growth) in 2011, reflecting the increase in the number of payment terminals on that island..

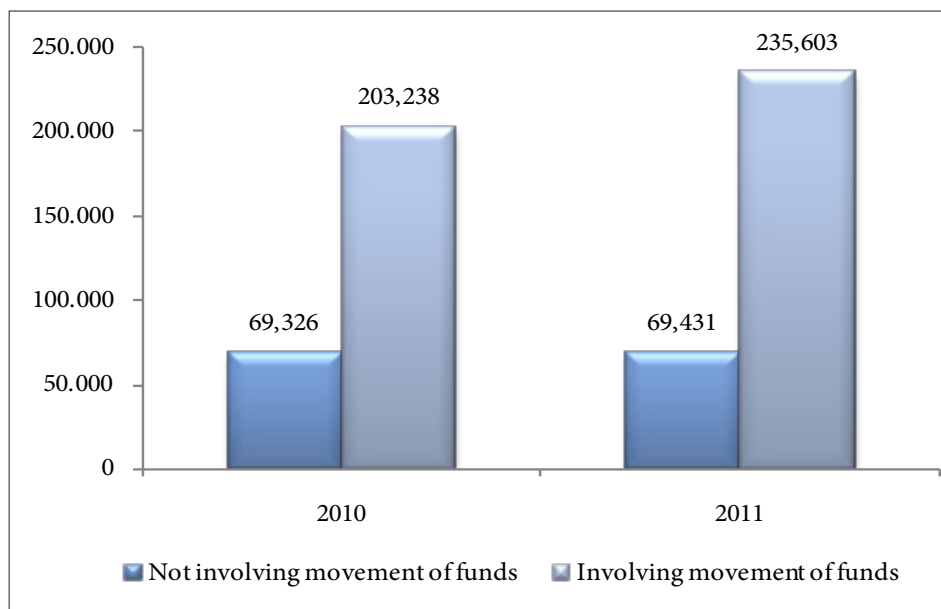
Quadro I.6 - POS Service Use by island

Volume: Unit; Value: million escudos				
	2011		Weight (%)	
	Volume	Value	Volume	Value
Santiago	1,690,416	8,122.3	60.1	64.1
Sal	405,774	1,705.4	14.4	13.5
São Vicente	531,051	2,090.5	18.9	16.5
Fogo	18,771	89.6	0.7	0.7
Santo Antão	22,186	100.5	0.8	0.8
São Nicolau	5,222	24.6	0.2	0.2
Boa Vista	126,250	513.6	4.5	4.1
Maio	10,397	24.2	0.4	0.2
Brava	2,226	7.1	0.1	0.1
Total	2,812,293	12,677.9	100.0	100.0

Source: SISP

Televinti4 is another channel of access to the network service which, in late 2011, had a total of 305,034 transactions, representing an 11.9% increase compared to 2010 (272,564).

Graph I.6 - Number of transactions made through the Televinti4 Service



Source: SISP

Of the total number of transactions made through this channel, about 77.2% involved movement of funds, especially purchase of mobile phone minutes (234,017 transactions) valuing to 91.0 million escudos. The purchase of mobile phone minutes accounts for 99.3% of total transactions and, although there was a slight reduction in value (1.3%), it continues to have the most weight in the total value transacted (73.3%). The other transactions involving movement of funds, including services payment and transfers, totaled 1,586 transactions valued at 33.1 million escudos. Service payments had a significant reduction in both volume (42.6%) and value (38.7%), while transfers, the only feature with positive development both in volume and in value, had a growth rate of 58.0% (volume) and 40.7% (value), as shown by the data available in Table I.7.

The remaining transactions, including balance, movements and BIC inquiries, and check requests, totaled 69,431 transactions, representing an insignificant increase (0.2%) over 2010.

Table I.7 - Transactions - Televinti4

	Volume: units; Value: million escudos					
	2010		2011		Change %	
	Volume	Value	Volume	Value	Volume	Value
Transactions:						
Not involving movement of funds	69,326		69,431		0.2	
Balance inquiry	62,375	-	62,919	-	0.9	
Check request	287	-	305	-	6.3	
Movement inquiry	5,712	-	5,529	-	-3.2	
BIC inquiry	952	-	678	-	-28.8	
Involving movement of funds	203,238	116,31971	235,603	124.1	15.9	6.7
Services payment	343	1.0	197	0.6	-42.6	-38.7
Purchase of mobile phone minutes	202,016	92.2	234,017	91.0	15.8	-1.3
Transfers	879	23.1	1,389	32.5	58.0	40.7
Total	272,564	116.3	305,034	124.1	11.9	6.7

Source: SISP

This service's popularity is evident by the increasing number of subscribers, which valued to 19,445 at the end of 2011, representing a growth of 29.4% (2010: 13,732). Note that you can assign up to nine bank accounts to the same mobile number, making it possible to perform transactions on each of them specifically at any time.

The automatic payment network also offers its users the Vinti4net service for certain transactions. At the end of 2011, a total of 2,017 transactions had been made using this service, which represents an 18.9% increase over 2010 (1,772), of which 91.3% (1,923) corresponded to transactions involving movement of funds and 8.7% (184) to transactions not involving movement of funds. An analysis of the data available in Table I.8 shows a reversal of the trend observed in the last two years, when this service was used mostly for transactions not involving movement of funds.

Now it is used almost exclusively for services payments (1,907 transactions totaling 236.3 million escudos). Transfers and purchase of mobile phone minutes continue to have a residual weight in volume (0.8%) and value (0.2%). Despite the positive evolution of this service, there was a reduction in the number of subscribers which, at the end of 2011, valued to 1,295 users (2010: 1,921), due to lack of new subscribers during the period and the fact that 626 users cancelled their subscriptions.

Table I.8 - Transactions - Vinti4net service

	Volume: units; Value: million escudos					
	2010		2011		Change %	
	Volume	Value	Volume	Value	Volume	Value
Transactions:						
Not involving movement of funds	1,16		184		-84.1	
Balance inquiry	298	-	53	-	-82.2	
Check request	0	-	0	-	0.0	
Movement inquiry	783	-	116	-	-85.2	
BIC inquiry	79	-	15	-	-81.0	
Involving movement of funds	612	115.9	1,923	236.8	214.2	104.2
Services payment	552	115.3	1,907	236.3	245.5	104.9
Transfers	38	0.6	5	0.5	-86.8	-11.1
Purchase of mobile phone minutes	22	0.02	11	0.01	-50.0	-68.8
Total	1,772	115.9	2,107	236.8	18.9	104.2

Source: SISP

With internationalization of the Vinti4 Network through the acquiring international service, international cards, namely Visa (2004) and MasterCard (2008), start to be accepted in the country, thus fulfilling one of the main objectives of developing and modernizing Cape Verde's payment system. Unlike the evolution observed in 2010, the use of international cards in the network increased in both volume (8.7%) and value (9.4%), in 2011, with a total of 208,280 transactions (16,612 more than 2010) being carried out, valuing to 2,588.5 million escudos (222.4 million escudos more than 2010), of which 69.7% were made using ATM and 30.3% using POS. The data show that international cards are more widely accepted, as evidenced by the 11.4% increase in the number of establishments that accept them, going from 274 establishments in 2010 to 384 in 2011.

The same is true regarding the use of national debit cards (vinti4 card), which, at the end of 2011, had been used to make a total of 7,804,703 transactions totaling 36,533.7 million escudos, representing an increase in both volume (26.5%) and value (20.2%)..

1.2.2 - SWIFT

Payment transactions originating in the country and those from abroad to the country are supported or executed using the Society for Worldwide Interbank Financial Telecommunications (SWIFT) which underscores the value and importance of this international communication network for the modernization and promotion of the national financial system, in general, and the banking system, in particular. Be it to exchange financial messages, connect to market infrastructure or use SWIFT Solutions, an ever-increasing number of institutions are seeking to reduce costs and mitigate risks using the SWIFT. Nowadays, the network is a privileged means of communication for transmitting payment instructions of the main Real Time Gross Settlement (RTGS) Systems in the world. Thanks to new technologies, SWIFT customers consider the use of this network highly secure for massive payments, with penetration in some of the largest, as well as smaller, markets worldwide.

Over 9,700 financial and securities institutions, among others, scattered over 209 countries and representing nearly 100% of the banking world, particularly in Europe, America and Japan, trust and make use of this standardized, secure messaging service.

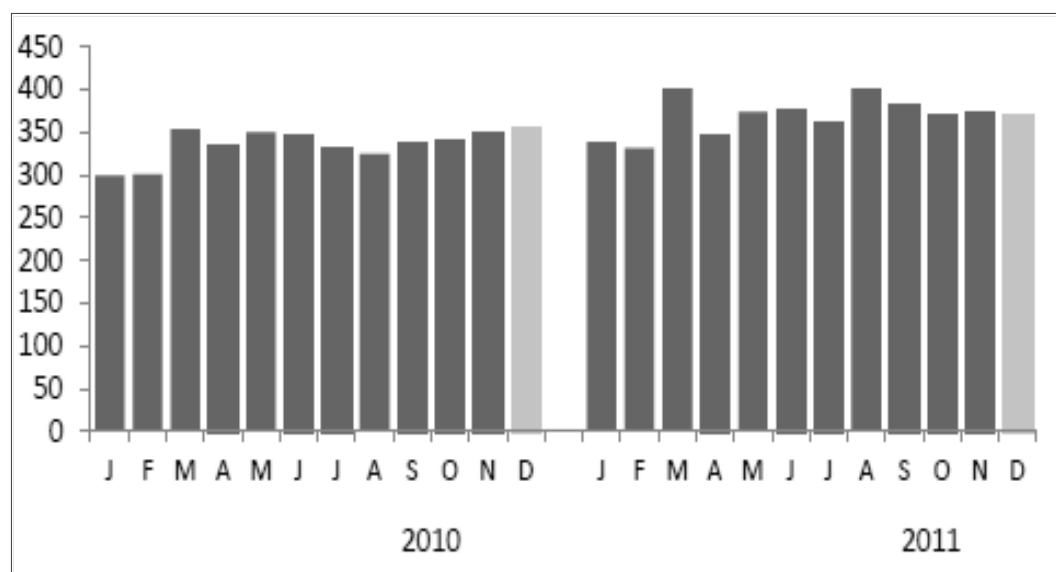
SWIFT has been in Cape Verde since late 1999, first joined by Banco de Cabo Verde and subsequently by almost all commercial banks and some international financial institutions (IFIs). At the end of 2011, the number of full members and system participants, connected through a single port and a shared local system managed by Cape Verde's Central Bank, valued to eight (8), 2 more than 2010.

In October, it was successfully upgraded to the 7.0 version (SWIFTNet Release 7.0.). This migration is mandatory for all institutions using this network, so as to ensure coherence and operational interaction through the SWIFT community as a whole.

Version 7.0 offers a platform that evolves hand in hand with institutions' business needs and priorities, in line with new technologies. It essentially consists of a comprehensive set of innovative features and powerful tools that provide multiple benefits in terms of reducing costs and risks, improving efficiency and increasing flexibility. This new version will impact messaging (SWIFTNet) and connectivity (Alliance interfaces, and others) environments, introducing new features that result in a more automated system, with increased levels of security.

The data released by SWIFT with reference to the year 2011 show a total of 4,431.0 million messages, representing a 9.9% growth over 2010 (4,031.9 million messages). Indeed, Graph I.7 shows a general increase throughout 2011 compared to 2010, with the daily average standing at 17,559,342 messages/day.

Graph I.7 – SWIFTNet FIN messages sent per month
(in million messages)



Source: Swift

An analysis of the distribution of FIN traffic by market segment shows that, similarly to previous years, Payments lead with 48.7%. This item accounts for 49.3% of total messages (102,506,437), an 8.3% increase (2010: 94,650,450 messages). Securities also saw an increase (11.1%) over the previous year, with 12,314,291 messages (2010: 11,083,970 messages). With regard to the Treasury, there was significant growth (17.2%), going from 83,363,814 messages in 2010 to 97,702,390 in 2011.

Trade Financing, the only item showing a decrease (3.6%) compared to 2010, contributed 2,063,596 messages (less 77,064 messages). In this regard, it should be noted that, according to the latest SWIFT statistics, the use of trade financing instruments, such as Letters of Credit (LC), fell to 2.23% in 2011 compared to the previous year, a clear sign of regression of the growth observed in 2010, when the trade traffic through SWIFT increased by 5.8%.

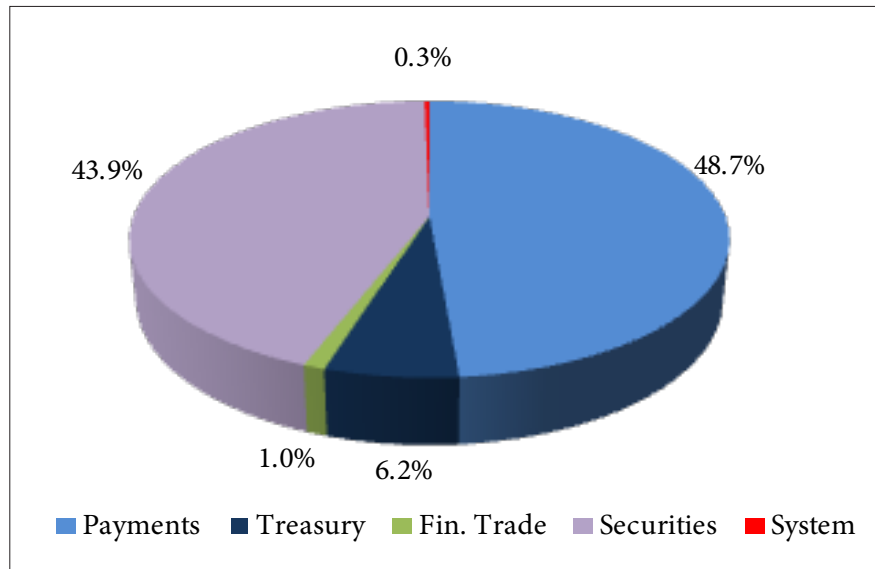
SWIFT statistics are considered an excellent indicator of global trends in the use of LC since it is assumed that about 90% of these transactions are made through this channel.

Africa had the smallest reduction in terms of trade, regarding both exports or imports. However, this continent accounts for a relatively small percentage of the general trade traffic, representing 5% of traffic sent and only 4% of traffic received.

Data published by SWIFT suggest that Asia is the driving force behind the trade sector, according to a recent study conducted by the IMF and the ICC (International Chamber of Commerce) which concludes that the demand for trade finance in Asia continue to grow in 2012, at the expense of worsening trade in the Eurozone.

In turn, System messages show a 1.3% increase compared to 2010, with only 682,852 messages (2010: 674,089 messages).

Graph I.8 - Distribution of SWIFNet FIN Traffic by market – 2011

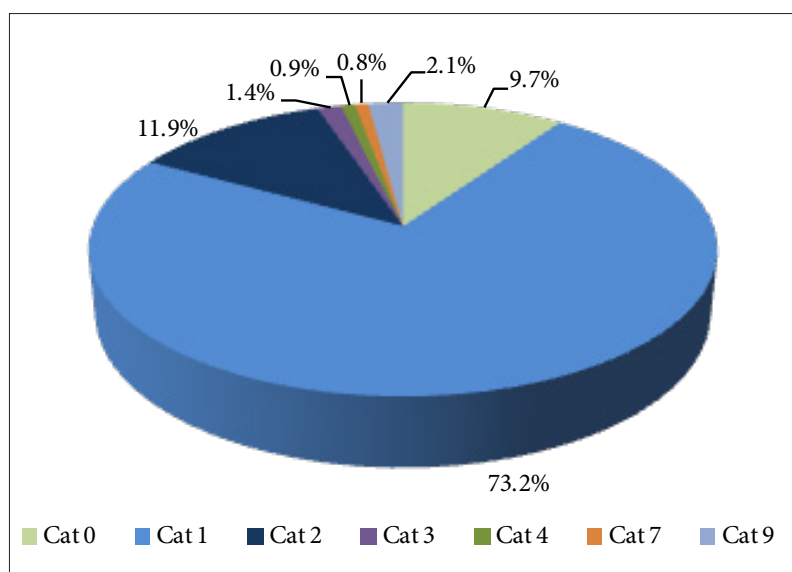


Source: SWIFT

As regards the distribution of traffic sent by Cape Verde³ (Graph I.9), by message category, the item “Customer Transfers and Checks” stands out with 28,410 messages (73.2%), followed by “Financial Institution Transfers” with 11.9% (4,605 messages), and “System Messages” with 3,772 (9.7%). The other categories account for 1,999 messages, which corresponds to 5.1% of messages.

³ Data provided by SWIFT for the 1st half of 2011.

**Graph I.9 - Distribution of messages sent by Category (Cape Verde)
1st half of 2011**



Caption:

- Category 0 - System Messages
 - Category 1 - Customer Transfers and Checks
 - Category 2 - Financial institution transfers
 - Category 3 - Foreign exchange and money markets
 - Category 4 - Collection Letters
 - Category 7 - Documentary Credits and Guarantees
 - Category 9 - Information on balances, Fin-Copy and MT 012
- Source: SWIFT

In terms of overall movement, Cape Verde shows a 7.3% growth in total messages sent over the same period the previous year.

1.3 - Interbank Settlement Systems

As in most countries with an organized payment system, Cape Verde's Interbank Settlement System includes two complementary forms of settlement: real time gross settlement system, which aims to minimize risks associated with payment systems, particularly systemic risk, and clearing settlement system. Gross settlement is made through the Deposit and Settlement Management System (SGDL) and clearing settlement is made through the Integrated Interbank Clearing and Settlement System (SICIL).

1.3.1 - Interbank Clearing Services

The Interbank Clearing Service is based on processing low-value transactions and, thus, with limited systemic risk. It comprises clearing of payment instruments in paper form – checks, transfers and related documents – and was established in March 1995 to facilitate clearing between institutions and, consequently, to instill more dynamism in the payment system, vinti4 network transactions and the securities market.

Efficient and effective management of clearing systems requires ongoing

monitoring, promotion and development. In this regard, Banco de Cabo Verde has been playing an important role, coordinating activities related to the evolution of these systems, particularly by promoting new projects, such as the implementation of the Electronic Funds Transfer System, which became operational in September 2011, and the implementation of changes to existing systems, including the Electronic Clearing of Checks and Related Documents System, which has been operational since January 2008. The implementation of these two automated and innovative systems results from cooperation work between the participating institutions, Banco de Cabo Verde and SISP, thus reinforcing the central bank's leading position in adopting advanced technological processes and international standards applied to payment systems, with the main objective of increasing the system's efficiency and security. Both use SISP's communication platform to transmit block trades, whose information, once processed, is forwarded to the various entities involved: borrowers, drawees and Banco de Cabo Verde, which settles the balances, debiting or crediting the demand deposit accounts of entities participating in the system.

Management of the clearing of checks and related documents and electronic funds transfer subsystems is the responsibility of Banco de Cabo Verde, in conjunction with SISP, the information processing center. Regarding the checks and related documents subsystem, in which physical exchange centers still prevail, we highlight the collaboration of some credit institutions with which BCV has agreements to provide this service. It functions in Physical Exchange Centers in Praia, São Vicente, Sal, Assomada and Ribeira Grande, territorially encompassing all values presented for clearing by credit institutions established in the country. Clearing of vinti4 network and securities market transactions is the responsibility of SISP and the Stock Exchange, respectively.

The Physical Check Exchange Center of Praia covers credit institutions established in the southern region of Santiago Island as well as other islands in the Sotavento (southern) region. The institutions located in the northern region of Santiago Island are part of Assomada's Physical Exchange Center.

The Barlavento (northern) Region is divided between the São Vicente Physical Exchange Center, which includes institutions in São Vicente and São Nicolau, the Sal Physical Exchange Center, covering Sal and Boa Vista, and the Physical Exchange Center of Ribeira Grande, which includes institutions established in Santo Antão.

The operating rules of the Interbank Clearing Service are based on standards established in the Integrated Interbank Clearing and Settlement System's (SICIL) Regulation issued by Banco de Cabo Verde, which defines the system's guidelines and participants' relationships and responsibilities, and on procedure manuals and technical specifications given to all stakeholders. Each of the subsystems that comprise the SICIL has its own processing and data formats, to be followed by participants when transmitting information, according to the technical specifications defined in these manuals.

Banks and other entities with authorization from Banco de Cabo Verde (BCV) may participate in the system (Checks and Electronic Transfers subsystem), directly or indirectly. In addition to the membership application, the service provider (SISP) must issue an opinion confirming that the applicant meets the necessary technical

and operational conditions, after successful completion of a number of tests defined by the service provider and designed in collaboration with BCV.

In late 2011, the system had 10 direct participants, including 8 credit institutions, Banco de Cabo Verde and the Treasury.

In late 2011, a total of 5,942,890 transactions in the value of 183,348.6 million escudos were cleared through this service. Of the total number of transactions processed through the clearing system, about 91.9% referred to the vinti4 network subsystem and 6.1% to the checks and related documents subsystem, followed by the transfers subsystem, with 1.9%. Securities market transactions continue to have an insignificant share, with only 0.02%.

With the exception of the vinti4 network, which operated 365 days in 2011, the remaining SICIL subsystems operated for 252 days in 2011 (2010: 250).

1.3.2 - Deposit and Settlement Management System

The Deposit and Settlement Management System consists in centralizing and settling movements regarding transactions in central bank money by system participants.

This system, which has been operational since April 2008, is managed by Banco de Cabo Verde and aims primarily to minimize the risks associated with large-value payments (credit, liquidity and systemic risks), as well as provide participants⁴ – during the day – with information on the balance of their accounts with Banco de Cabo Verde, enabling them to better monitor the status of transactions made and, thus, contributing to efficient and proper functioning of the payment system.

Besides credit institutions, the Directorate-General of the Treasury and some para-banking institutions in the country, system participants include other entities that are allowed to open and operate demand deposit accounts at Banco de Cabo Verde, like certain special accounts opened by the State and some International Organizations. In 2011, BCV authorized 22 new participants into the system, all special entities and totaling 222 active participants, which corresponds to 78.7% of all system participants. The remaining 21.3% refer to participants whose accounts were canceled at the request of those responsible for operating them – 61 entities in total.

The operating rules of the SGDL are defined in the regulation approved by Banco de Cabo Verde's Board of Directors and include the System's basic guidelines and stakeholders' relationships and responsibilities.

The evaluation made by Banco de Cabo Verde showed that the settlement system's service level remained satisfactory during 2011 and continued to settle a growing number of transactions on all working days, from 8 am to 4 pm.

The settlement session in the SGDL is organized into two distinct subsections: i) Normal period, running from 8 am to 3 pm, when settlement of all transactions

⁴ This information is available only to SGDL participants who are also part of the SICIL.

eligible in the System are permitted and ii) Pre-closing Period, running from 3 pm to 4 pm, restricted to settlement of some types of transactions depending on the participants involved.

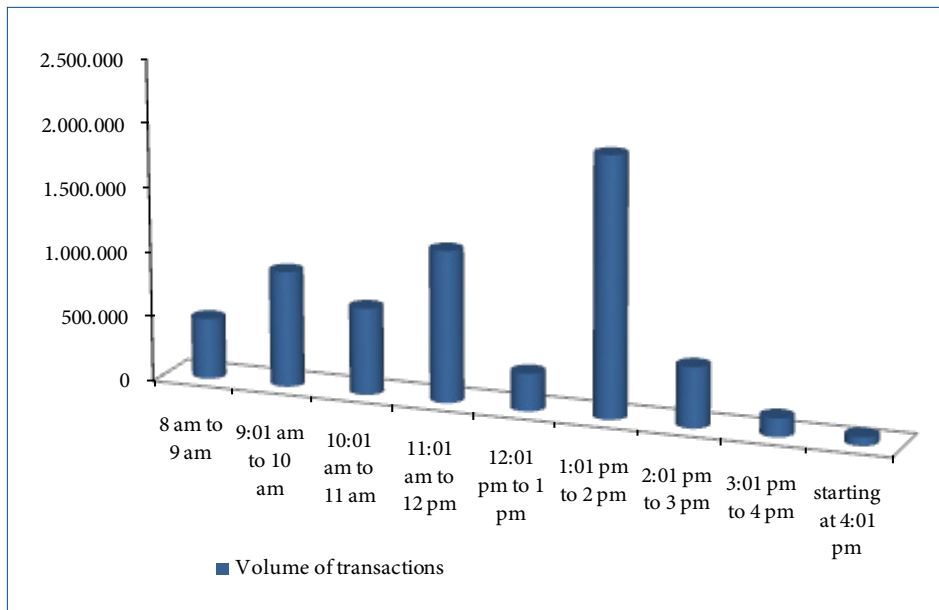
Although the closing time for transaction settlements in the SGDL was set for 4 pm, the occasional need to accommodate transactions in the Interbank Money Market and Intervention Operation Market that were contracted near the cut-off of the Pre-Closing Period sometimes requires the settlement session to be extended beyond the limit.

Graph I.10 shows that settlements are concentrated mainly in Normal Period, during which following are settled: clearing balances, reimbursements of transactions in the Interbank Money Market (IMM), Intervention Operation Market (IOM) and Government Securities Market, and payment instructions ordered by the State's special accounts.

Regarding clearing balances, particularly those of the vinti4 network, checks, and transfers (as of September 6, 2011), clearing results are sent by the Data Processing Center (SISP) to BCV at around midnight (vinti4 network balances) and at 9:00 am (check and transfer balances) on the day of settlement, becoming automatically available in the SGDL for integration and subsequent settlement.

From 10 am until the close of the Normal Period (3 pm), the following are settled: transactions involving cash withdrawal and deposit, payment orders/transfers to/from outside the country, business transactions contracted on the Stock Exchange, Foreign Exchange Market transactions, and payment instructions ordered by the State's special accounts. Due to changes in procedures after the electronic funds transfer system became operational, the latter started to be settled specifically between 1 and 2 pm, which explains the peak settlement occurred at this time.

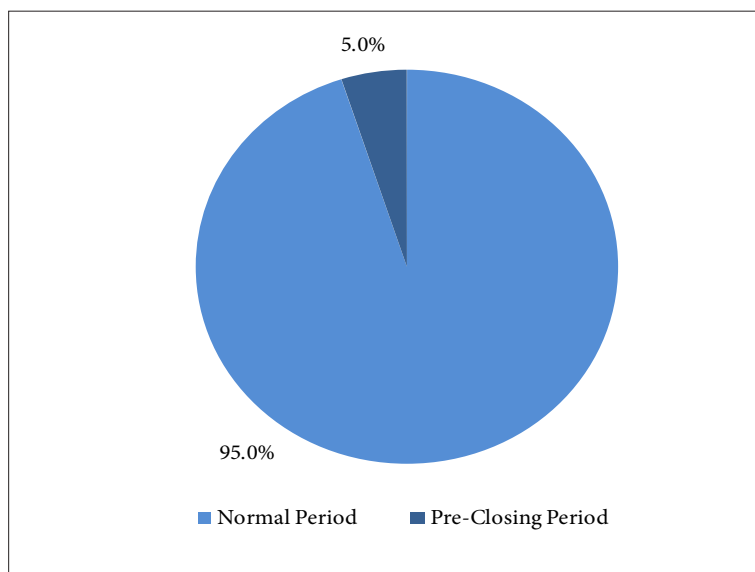
Graph I.10 - Time of concentration of transactions settled in SGDL - 2011



Source: BCV

Analyzing the distribution of settlement by period of operation in 2011, as represented in Graph I.11, we conclude that it follows the trend of previous years, when the bulk of settlements were concentrated in Normal Period (95.0%), while only 5.0% of total transactions were processed during the pre-closing period. Transactions settled in the last period relate to transactions contracted in IMM and IOM.

Graph I.11 - Number of transactions settled by settlement period



Source: BCV

CHAPTER II

Means of Payment and Payment Instruments

2. Means of Payment and Payment Instruments

2.1 - Evolution

The evolution of means of payment and payment instruments in Cape Verde continues to be characterized by continuous change in behavior associated with payments, with greater use of book and electronic instruments as substitutes for cash checks and payment cards, the most widely used instruments (Table II.1).

Table II.1 - Means of payment and payment instruments

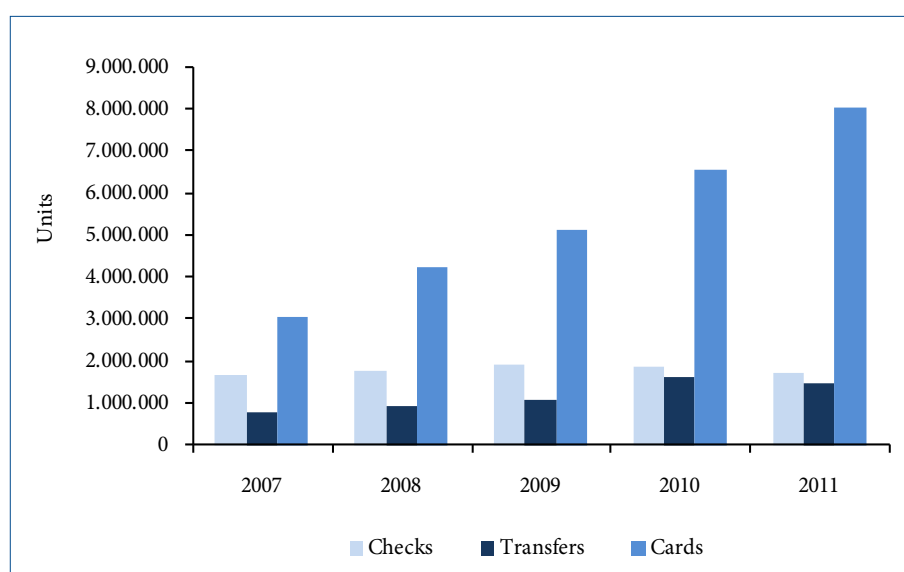
	Volume: units: Value: million escudos					
	2010		2011		Change %	
	Volume	Value	Volume	Value	Volume	Value
Banknotes and coins in circulation	-	8,733.5	-	8,584.4	-	-1.7
Checks	1,859,095	246,803.9	1,743,385	229,932.2	-6.2	-6.8
Clearing	364,642	83,205.8	364,911	83,779.8	0.1	0.7
Branch	1,494,453	163,598.1	1,378,474	146,152.4	-7.8	-10.7
Transfers	1,607,511	218,949.4	1,466,948	167,013.9	-8.7	-23.7
Inter-bank	84,070	75,024.6	115,669	75,949.0	37.6	1.2
Intra-bank	1,523,441	143,924.8	1,351,279	91,064.9	-11.3	-36.7
Cards	6,542,381	35,095.8	8,012,983	39,121.9	22.5	11.5
Vinti4 Card	6,350,717	32,730.0	7,804,703	36,533.7	22.9	11.6
International Card	191,664	2,365.8	208,280	2,588.2	8.7	9.4
Total ¹	10,008,987	500,849.1	11,223,316	436,067.9	12.1	-12.9
	Weight %					
Checks	18.6	49.3	15.5	52.7	-16.4	7.0
Transfers	16.1	43.7	13.1	38.3	-18.6	-12.4
Cards	65.4	7.0	71.4	9.0	9.2	28.0

Source: BCV, SISP, Credit Institutions

¹ The total value of means of payment and payment instruments does not include the value of banknotes and coins in circulation.

The data for 2011, when compared to 2010, point to growing and progressive use of payment cards, with total transactions representing about 71.4% (2010: 65.4%). Next, we have checks, which are losing ground among payment instruments, their use having decreased from 18.6% in 2010 to 15.5% in 2011 (2007: 30.2%; 2008: 25.4%; 2009: 23.6%). This downward trend, thus, clearly shows that electronic payment instruments (payment cards) are gaining ground at the expense of traditional book instruments, despite the fact that the latter are still enjoying some growth, particularly interbank transfers, which is probably due to the electronic funds transfers system becoming operational, allowing multiple payments from one payer.

Graph II.1 - Evolution of payment instruments – 2007 to 2011



Source: BCV

2.1.1 - Cash

Cash is still the most widely used means of payment, although the analysis of some liquidity indicators, particularly those that relate circulation with monetary aggregates M1 (weight of currency in circulation), M2 (preference for central bank currency) and GDP, suggest that there's growing preference for alternative payment instruments.

When compared to 2010, the year 2011 shows a 13.0% decrease in M1, due to changes in the “Notes and coins in circulation” (1.7%) and “Demand deposits” (-15.9%) components. Indeed, this decrease is reflected in the evolution of the “Circulation/GDP” ratio, which decreased from 0.070 in 2010 to 0.064 in 2011. In the context of payment systems, this reinforces the notion that Cape Verdeans prefer to use alternative instruments. The “Preference for Central Bank currency” ratio, which has been decreasing in the last two years (2009: 0.083; 2010:0,081), showed a slight increase in 2011 (0.082), resulting in an increase in the weight of circulation over means of payment.

Table II.2 - Currency in circulation - indicators

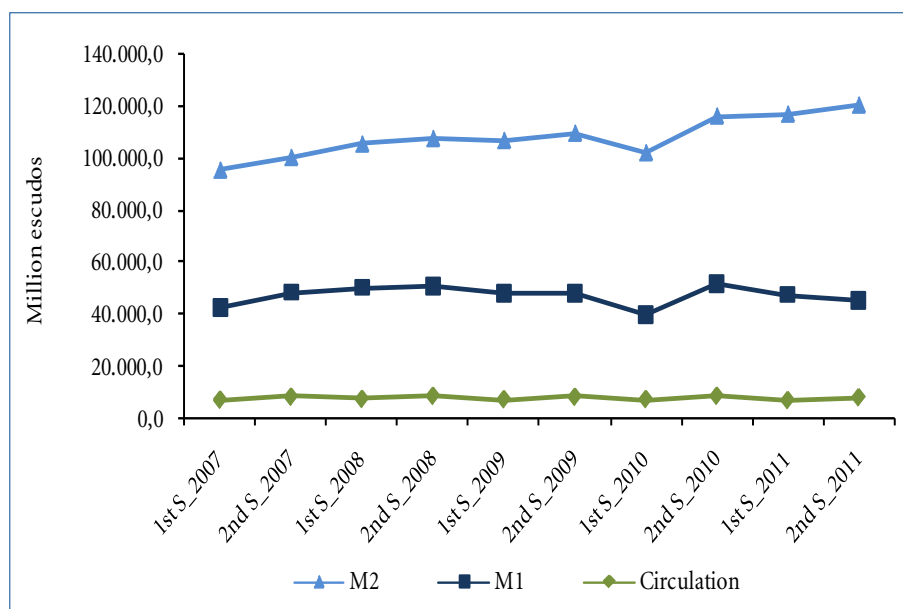
	Value: million escudos				
	2007	2008	2009	2010	2011
Banknotes and coins in circulation (C)	8,399.2	8,712.7	8,478.3	8,733.5	8,584.4
Demand Deposits (DO)	31,941.7	33,457.7	31,504.9	34,779.2	29,263.9
M1(C+DO)	40,340.9	42,170.4	39,983.2	43,512.7	37,848.3
Time Deposits ¹ (DP)	51,752.0	56,850.0	61,559.9	64,124.6	66,207.7
M2 (M1+DP)	94,609.4	99,020.4	101,543.1	107,637.3	104,056.0
GDP ²	111,651.9	115,190.9	115,614.2	123,916.7	133,115.1
	Ratios				
Velocity of circulation (V)					
V1(PIB/C)	13.29	13.22	13.64	14.19	15.51
Circulation/GDP ratio					
C/PIB	0.075	0.076	0.073	0.070	0.064
Weight of currency in circulation					
C/M1	0.208	0.207	0.212	0.201	0.227
Preference for Central Bank currency					
C/M2	0.089	0.088	0.083	0.081	0.082

¹ Includes time deposits in domestic currency, savings deposits, emigrant deposits, and resident foreign currency deposits

² Estimate for 2011

Source: BCV

Graph II.2 - Evolution of monetary aggregates

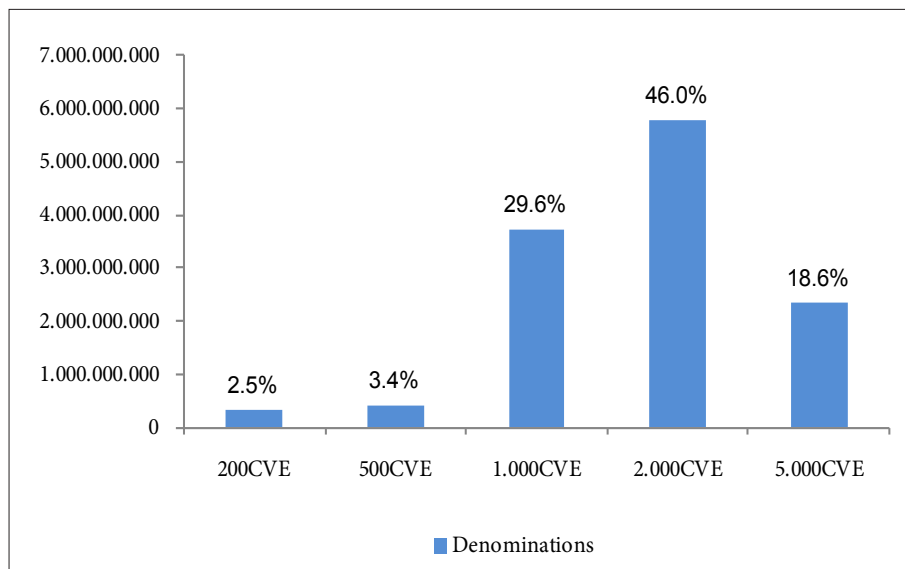


Source: BCV

In late 2011 currency in circulation decreased 1.7% over 2010, with banknotes and coins in circulation valuing to 8,584.4 million escudos. Of the total, notes

represented 96.6% (2010: 95,0%) of which 75.6% corresponded to denominations of 1,000 and 2,000 escudos, the only notes currently distributed through the Vinti4 network's ATMs.

Graph II.3 - Banknotes in circulation by denomination - value

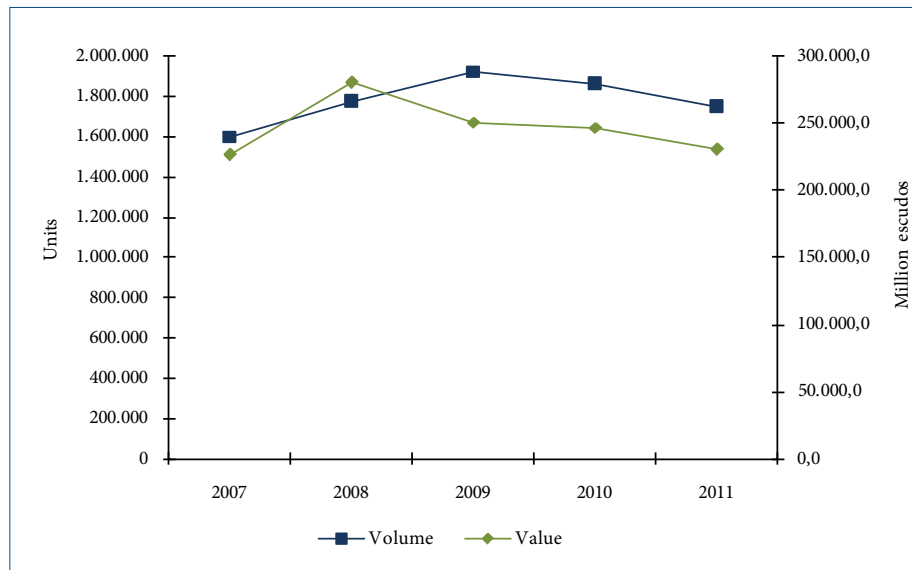


Source: BCV

2.1.2 - Check

After bank cards, checks are the most widely used instruments. In 2011, a total of 1,743,385 checks were processed, valuing to 229,932.2 million escudos. Compared to 2010 (1,859,095 checks totaling 246,803.9 million escudos), this corresponds to a decrease of 6.2% in volume and 6.8% value. Graph II.4 shows that, in recent years, check use has suffered a gradual decrease in value (since 2009) and in volume (since 2010). Despite the downward trend, checks continue to have a significant weight in terms of value (52.7%).

Graph II.4 - Evolution of checks



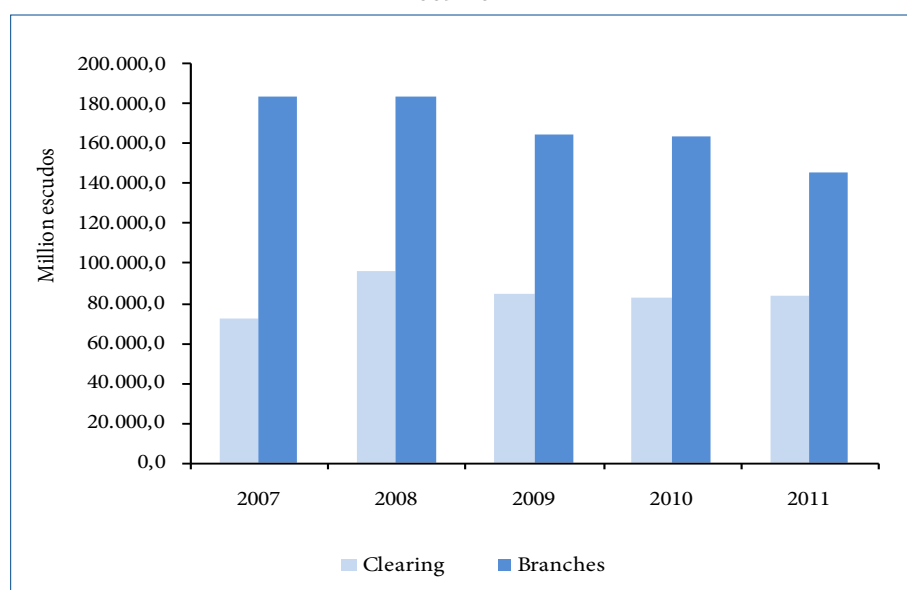
Source: BCV

During this period, the average number of checks processed per day, in the system, stood at 6,918 checks/day paid (less 518 checks), corresponding to 912.4 million escudos (less 74.8 million escudos). Checks processed through branches followed the same trend observed in 2010, with a decrease in volume (7.8%) and in value (10.7%), despite the fact that they continued to have a significantly higher relative weight – 79.1% in volume and 63.6% in value – (2010: 80.4% in volume and 66.3% in value) in total checks. In turn, checks processed through the clearing system enjoyed increases in both volume (6.7%) and value (8.1%).

With a poor growth rate (0.1% in volume and 0.7% in value), the average monthly number of checks processed through the clearing system goes in the opposite direction, having increased from 30,387 checks totaling 6,933.8 million escudos, in 2010, to 30,409 checks (22 more checks) totaling 6,981.7 million escudos (47.8 million escudos more), in 2011, with the average remaining at 0.2 million escudos per check. In turn, checks paid through branches, which are responsible for the decrease in total checks, showed a monthly average of 114,873 checks (2010: 124,538 checks) totaling 12,179.4 million escudos (2010: 13,633.2 million escudos), with the average value per check remaining at 0.1 million escudos. Despite the positive trend in the number of checks cleared, the bankarization rate of checks as a means of payment remains insignificant. This may be related to some inefficiency of the clearing system, which still exists despite the automation of the check clearing subsystem, on one hand, and, secondly, due to the lack of credibility of checks and, consequently, their low acceptance among merchants for being a high-risk payment instrument. Another factor that presumably may be related to low bankarization rate of checks is their gradual replacement by other payment instruments, particularly cards, as evidenced by the latter's weight in the system (71.6%).

From a temporal standpoint (2007-2011), the use of checks has grown, on average, about 1.9% and 0.8% per year in volume and value, respectively.

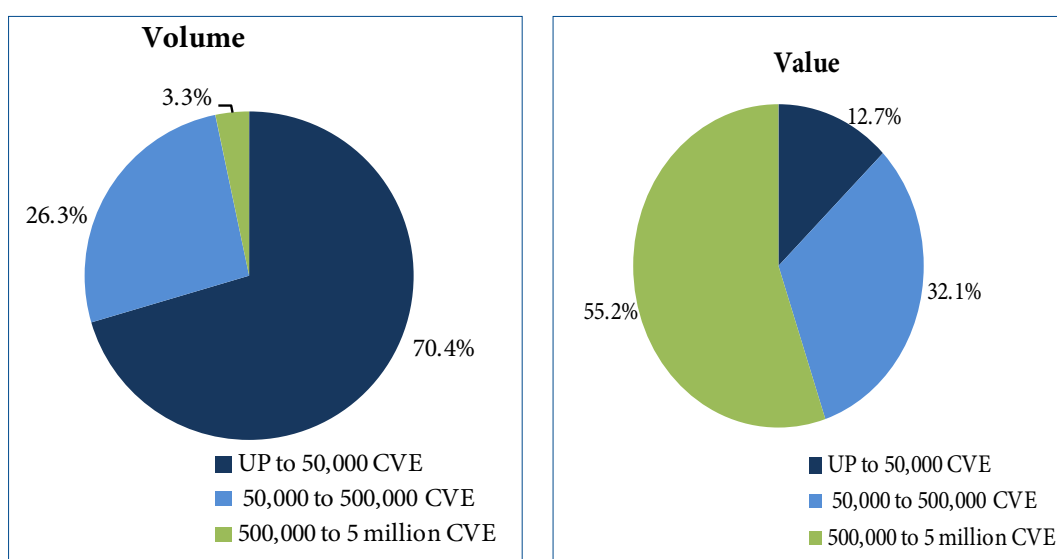
**Graph II.5 - Cleared checks and checks from CI branches (in value)
2007-2011**



Source: BCV

Looking at Graph II.6, we see that the bulk of checks paid through branches concentrated in the 1 to 50,000 escudos bracket, accounting for 70.4% of all checks (970,605 checks), which corresponds to 12.7% of the total value paid (18,501.2 million escudos). The intermediate bracket (50,000 to 500,000 escudos) accounted for 361,921 checks (26.3%) valuing to 46,903.4 million escudos (32.1%). Above the 500,000 to 500 million escudos bracket, 45,948 checks were paid (3.3%) valuing to 80,747.9 million escudos (55.2%).

Graph II.6 - Weight of checks paid at branches by value bracket 2011



Source: BCV

Checks returned through the banking system showed a downward trend in 2011, falling from 7,911 checks totaling 2,552.0 million escudos, in 2010, to 6,822 checks totaling 1,555.8 million escudos, which reflects decreases of 13.8% and 39.0% in volume and value, respectively. Both checks returned through clearing and those returned directly at branches showed decline rates, with particular emphasis on value (44.2% and 33.1% respectively).

In fact, the monthly average exhibits the same downward trend, with decreases in volume and value, totaling 569 checks/month (less 91 returned checks) valuing to 129.6 million escudos (less 83.0 million escudos). The daily average in 2011 stood at around 27 returned checks (2010: 32), valuing to 6.2 million escudos (2010: 10.2 million escudos).

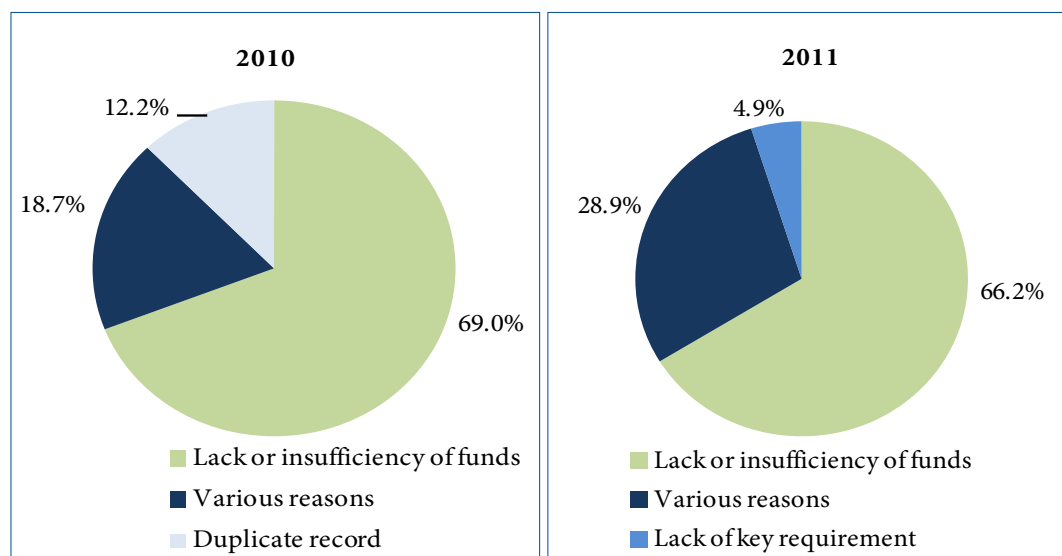
Table II.3 - Checks returned by the banking system

	Volume:units; Value:million escudos			
	2010		2011	
	Volume	Value	Volume	Value
Clearing	3,767	1,185.5	3,389	792.7
Branch	4,144	1,366.5	3,433	763.1
Total	7,911	2,552.0	6,822	1,555.8
Monthly Average	659	212.7	569	129.6

Source: BCV, Credit Institutions

As in previous years, the most popular reason for return in 2011, with 66.2%, was “lack of or insufficient funds” (2010: 69.0%), followed by “various reasons,” with 28.9%, revealing a sharp increase (10.2%) compared to 2010. “Lack of key requirement” was the third most popular reason for return, with 4.9% and increased by 90.4%. It should be noted, however, that “duplicate record,” which had emerged as the third leading reason for return in 2010, was absorbed in “various reasons,” with a weight of only 0.5% in total returns.

Graph II.7 – Weight of returned checks in the system by reason for return



Source: BCV

Given the decline in both the number and value of returned checks, there was a drop in returns compared to total checks presented in the banking system, in terms of both volume (from 0.5% in 2010 to 0.4% in 2011) and value (from 1.1% in 2010 to 0.7% in 2011).

Table II.4 - Total Checks presented and returned by the banking system

	Volume: unit; Value: million escudos			
	2010		2011	
	Volume	Value	Volume	Value
Total Checks	1,728,908	228,824.1	1,743,385	229,932.2
Total returns	7,911	2,552.0	6,822	1,555.8
Checks returned/checks presented (%)	0.5	1.1	0.4	0.7

Source: BCV

2.1.3 - Transfers

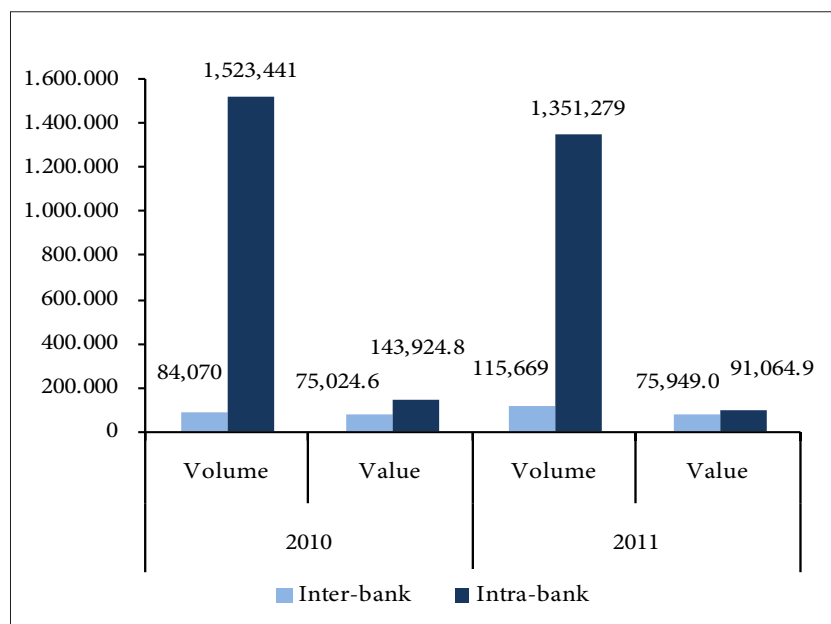
2.1.3.1 - Domestic Transfers

During 2011, 1,466,948 transfers were processed (less 140,563 transfers) totaling 165,378.4 million escudos (less 51,935.6 million escudos), representing a decrease of 8.7% in volume and 23.7% in value, compared to 2010. The downward trend was due mainly to the decrease in both volume (11.3%) and value (36.7%) of intra-bank transfers, falling from 1,523,441 transfers totaling 143,924.8 million escudos, in 2010, to 1,351,279 transfers totaling 90,064.9 million escudos, in 2011.

In terms of domestic transfers, interbank transfers processed through clearing represented 7.9% of total volume (2010: 5.2%) and 45.5% of total value (2010: 34.3%), whereas transfers processed in the same bank accounted for about 92.1% of total volume and 54.5% of total value. This overview shows that large-value transfers are processed through clearing, with a daily average of 459 transfers (123 transfers more than in 2010) valuing to 301.4 million escudos (1.4 million escudos more than in 2010), with the average value per transfer standing at 657,000 escudos (2010: 892,000 escudos).

Regarding intra-bank transfers, the daily average decreased over the previous year, falling from 6,094 transfers/day valuing to 575.7 million escudos, in 2010, to 5,362 transfers/day valuing to 361.4 million escudos, in 2011. Therefore, the average value per transfer dropped from 94,000 escudos in 2010 to 67,000 escudos in 2011.

Graph II.8 - Domestic Transfers - 2010/2011



Source:BCV

2.1.3.2 - International transfers

The data presented in Table II.5 for international transfers processed in 2011 show a total of 398,733.5 million escudos, which is a significant growth (over 100%) compared to 2010 (157,971.4 million escudos). This growth was due particularly to transfers sent via the SWIFT network, which had growth rates above 300%, with their weight increasing from 53.3%, in 2010, to 83.6 %, in 2011. Received transfers, in turn, had an 11.3% decrease in terms of value, with a weight of only 16.4% (2010: 46.7%).

Similarly, the evolution of daily average was in line with the growth experienced in the system, rising from 631.9 million escudos/day, in 2010, to 1,582.3 million escudos/day.

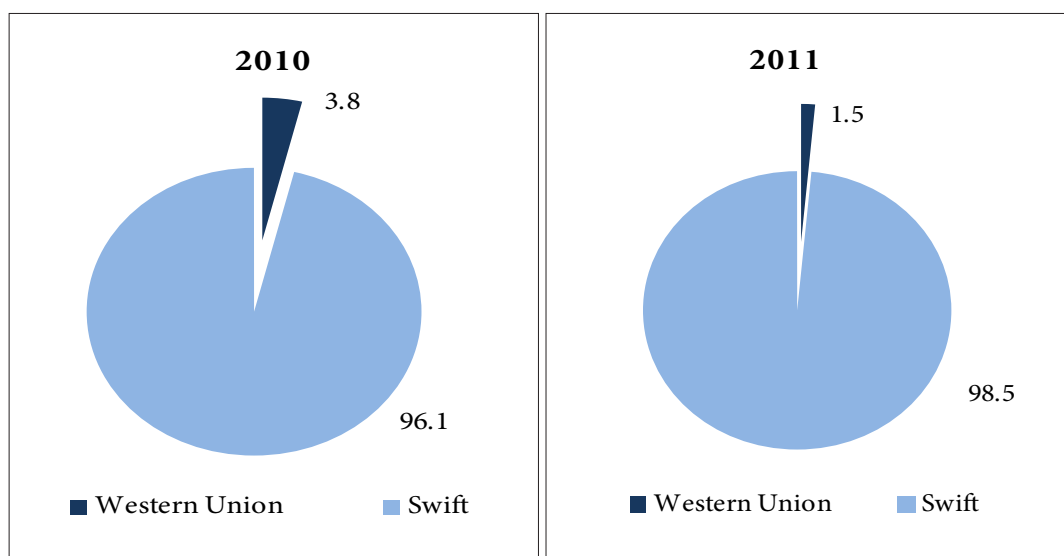
Table II.5 - International Transfers

Value: million escudos			
	2010	2011	Change %
Western Union	6,053.3	5,849.5	-3.4
Received	4,362.8	3,498.9	-19.8
Sent	1,690.6	2,350.6	39.0
SWIFT	151,918.0	392,884.0	158.6
Received	69,475.2	62,001.0	-10.8
Sent	82,442.8	330,883.0	301.3
	157,971.4	398,733.5	152.4
Total received	73,838.0	65,499.9	-11.3
Total sent	84,133.4	333,233.6	296.1

Source: CI; Currency exchange offices; BCV

Graph II.9 reflects international transfer services as a whole and shows that, like the last two years (2009: 4.2%; 2010: 3.8%), the weight of Western Union in total value traded decreased in 2011, standing at 1.5%. Transfers processed through the SWIFT network evolved in the opposite direction, their weight having increased in 2011 (98.5%) compared to 2010 (96.2%).

Graph II.9 - Distribution of international transfer services



Source: BCV

2.1.4 - Payment cards

The use of payment cards in Cape Verde is regulated by Decree-Law No. 66/99, of November 2, which regulates the business of credit and para-banking institutions as regards the issuance and management of cards, and also by Notice. No. 2/2000, of August 7, which establishes the contractual terms and general conditions of use.

Vinti4 cards (debit), a very widely used means of payment, were introduced in the market in late 1999, having a strong impact on the national banking system and becoming very popular among people with access to banking services. This translated into a significant growth either in the number of cards produced or in the volume and value of transactions.

The number of cards produced in 2011 stood at 75,169 cards, of which 42.3% corresponded to new card issuances (31,787) and 57.7% (43,382) to renewals. From the date the network became operational to today, 517,691 vinti4 cards have been produced.

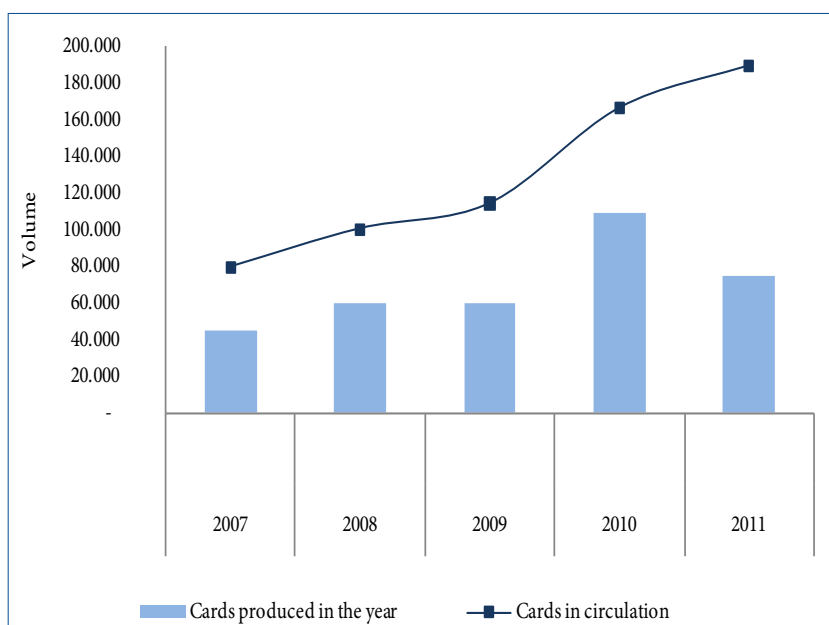
Compared to 2010, the number of cards produced in 2011 dropped (45.2%), and this was due mainly to the production of co-branded INPS cards, which were issued in partnership with CECV, totaling 40,000 cards that year. However, if we consider exclusively vinti4 debit cards produced in the two years, we see a growth of 8.8%.

On December 31, 2011, 189,387 payment cards were issued and recognized on the vinti4 network, which corresponds to a 12.2% growth over 2010 (166,204).

From a temporal perspective (2007-2011), the number of cards produced increased 7.7% on average over the past five years, while the number of cards recognized on the network increased 4.5%.

Numa perspectiva temporal (2007-2011), o número de cartões produzidos cresceu, em média nos últimos cinco anos, 7,7%, e o número de cartões reconhecidos na rede 4,5%.

Graph II.10 - Yearly evolution of cards produced and in circulation



Source: SISP

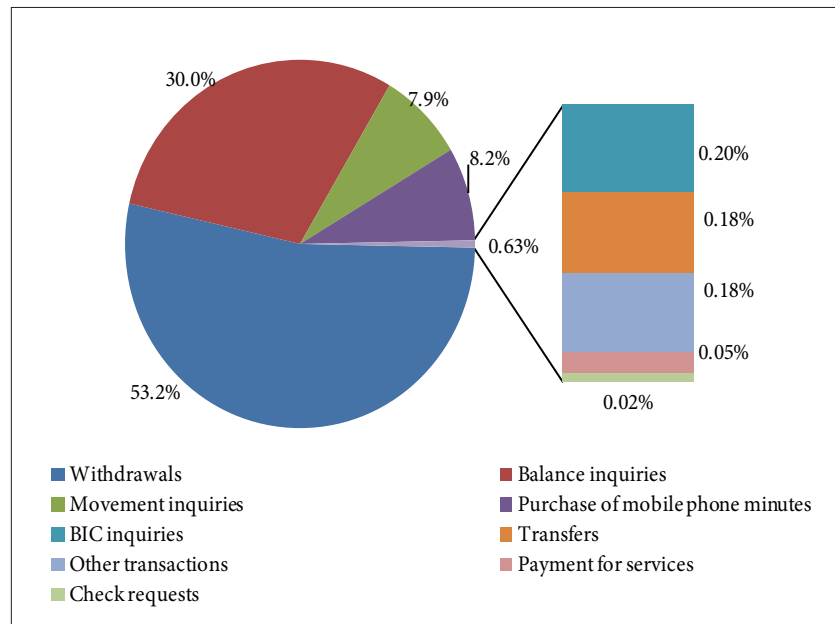
The use of cards in the vinti4 network has increased quite significantly in Cape Verde, with a total of 11,681,474 transactions being made in 2011, representing a 26.1% increase over 2010. Seventy-one percent (8,372,160) were transactions involving movement of funds and 28.3% (3,309,314) did not involve movement of funds.

It should be noted that, since becoming operational, the network recorded more than 10 million transactions for the first time in 2011.

Of the total number of transactions involving movement of funds, 63.6% (8,562,052 transactions) valued at 26,512.8 million escudos were made at ATMs, 33.6% (2,812,293 transactions) valued at 12,677.9 million escudos were made at POS, and the remaining 2.8% (237,526 transactions) valued at 360.9 million escudos were made using other network access channels, Televinti4 and Vinti4net. The total value transacted on the network stood at 39,551.6 million escudos, that is, 6,705.8 million escudos more than in 2010. The average daily number of transactions followed the same trend, having risen from 17,958 transactions valued at 90.3 million escudos, in 2010, to 22,937 transactions valued at 108.4 million escudos, in 2011 (growths of 27.7% and 20.0% in volume and value, respectively).

In terms of the network, each active vinti4 card made, on average, 45 transactions at ATMs and 15 at POS, which corresponds to a 21.1% decrease in volume and a 7.1% increase in value, compared to 2010 (ATM: 57; POS: 14).

Graph II.11 - Transactions made using vinti4 network ATMs



Source: SISP

Graph II.11, on the distribution of transactions made at ATMs by type, shows that cash withdrawal is still the predominant type, accounting for 53.2% (2010: 56.2%) of total transactions, followed by balance and movement inquiries, with 37.9% (2010: 36.0%), and purchase of mobile phone minutes, with 8.2% (2010: 7.3%). BIC inquiries, transfers, payments for services and check requests totaled 0.36% of overall transactions. The item “Other transactions” (PIN change, Televinti4 membership, among others) accounted for 0.2% of total transactions.

The average daily number of cash withdrawals using vinti4 card increased by 14.4% and 11.0% in volume and value, respectively, having stood at 12,244 withdrawals/day valuing to 65.7 million escudos (2010: 10,703 withdrawals/day valuing to 59.2 million escudos).

While continuing to have an insignificant weight in total transactions made on the network, – about 0.18% in volume and 0.02% in value, – transfers have enjoyed good growth over the years. In 2011, there were 16,755 transfers (2010: 11,772) valued at 530.6 million escudos (2010: 374.9 million escudos), representing increases of 42.3% and 41.5% in volume and value, respectively. The daily average stood at 46 transfers/day valued at 1.5 million escudos (2010: 32 transfers/day valued at 1.0 million escudos).

Table II.6 - Use of cards in transactions involving movement of funds

	Volume: units; Value: million escudos					
	2010		2011		Change %	
	Volume	Value	Volume	Value	Volume	Value
Vinti4 Card	6,170,932	30,393.0	7,804,703	36,533.7	26.5	20.2
ATM	4,439,276	22,227.7	5,175,290	24,778.4	16.6	11.5
Withdrawals	3,906,686	21,616.4	4,469,002	23,988.0	14.4	11.0
Transfers	10,931	354.0	15,361	497.6	40.5	40.6
Payment for services	4,343	16.0	2,05	9.5	-52.8	-41.0
Purchase of mobile phone minutes	517,316	241.3	688,877	283.4	33.2	17.4
Other Channels	182,521	199.3	237,526	360.9	30.1	81.1
Transfers	841	20.9	1,394	33.0	65.8	57.8
Payment for services	815	95.5	2,104	236.9	158.2	148.1
Purchase of mobile phone minutes	180,865	82.9	234,028	91.0	29.4	9.8
Use in POS	1,731,656	8,165.3	2,629,413	11,755.3	51.8	44.0
Payments	1,722,251	8,161.1	2,595,290	11,741.0	50.7	43.9
Purchase of mobile phone minutes	9,405	4.2	34,123	14.3	262.8	240.7
International card	191,664	2,365.8	208,28	2,588.2	8.7	9.4
Withdrawals in ATM	135,117	1,574.4	145,239	1,730.1	7.5	9.9
Payments in POS	56,547	791.4	63,041	858.1	11.5	8.4
Total	6,545,117	32,958.1	8,250,509	39,482.8	26.1	19.8

Source: SISP

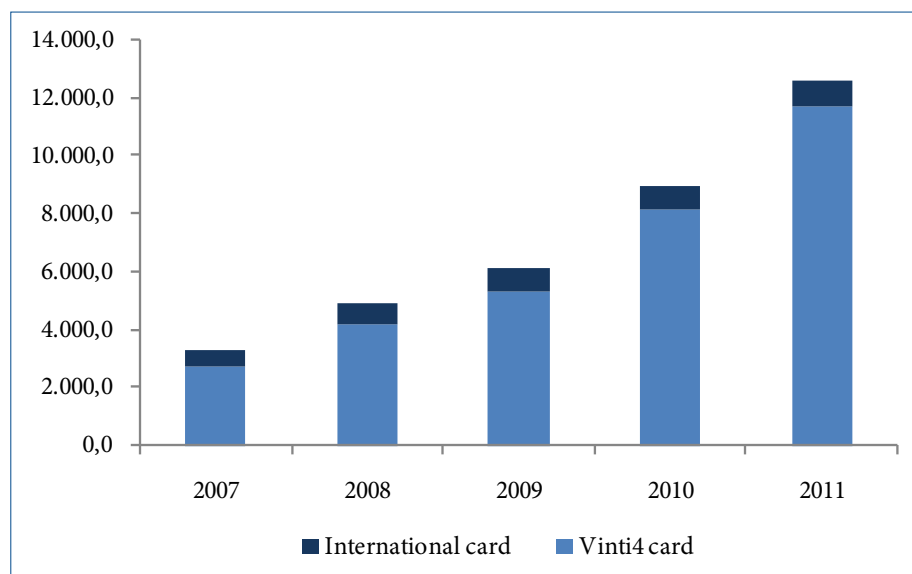
Payment for services is another network feature with great growth potential, given the fact that one can make payments without having to go to a service center. 4,154 transactions involving payment for services were made on the network (less 1,004 transactions) valued at 246.5 million escudos (+ 134.8 million escudos), which shows a 19.5% decrease in volume and an increase of over 100% in value, compared to 2010. This behavior observed in payment for services was due to the fact that this payment option was moved from ATMs to other network channels, particularly Televinti4 and the vinti4net Portal.

Purchase of mobile phone minutes also has a significant weight in the number of transactions, with approximately 8.2% (957,028) of total transactions made on the vinti4 network, valued at 388.7 million escudos (72.0% in volume and 72.9% in value). This feature has maintained a positive growth trend, showing a growth rate of 35.5% in volume and 18.4% in value, which translates into 249,442 more transactions valued at 60.3 million escudos, compared to 2010. The feature “purchase of mobile phone minutes through POS,” available to users since the second half of 2010, had an excellent performance, as evidenced by the data in Table II.7, with growth rates above 200%, both in volume and value, reaching 34,123 transactions valued at 14.3 million escudos. In terms of its weight in total transactions involving purchase of mobile phone minutes, it represents 3.6% and 3.7% in volume and value, respectively.

Payments at POS, which have been growing at a rapid rate over the years, are the second feature involving movement of funds with most weight in the network, followed by withdrawals. A total of 2,692,454 transactions, valued at 12,613.4 million escudos, were made through those terminals, of which 97.7% in volume and 93.2% in value corresponded to vinti4 card payments. The rest corresponded to international card⁵ payments (2.3% in volume and 6.8% in value).

Notwithstanding the use of vinti4 cards being clearly higher than that of international cards, the average value transacted at POS by card type shows that the average value per transaction using international cards is far higher than transactions using vinti4 cards. The average for vinti4 cards stood at 4,738.6 escudos, while that of international cards valued to 13,611.6 escudos.

Graph II.12 - POS payments by card type



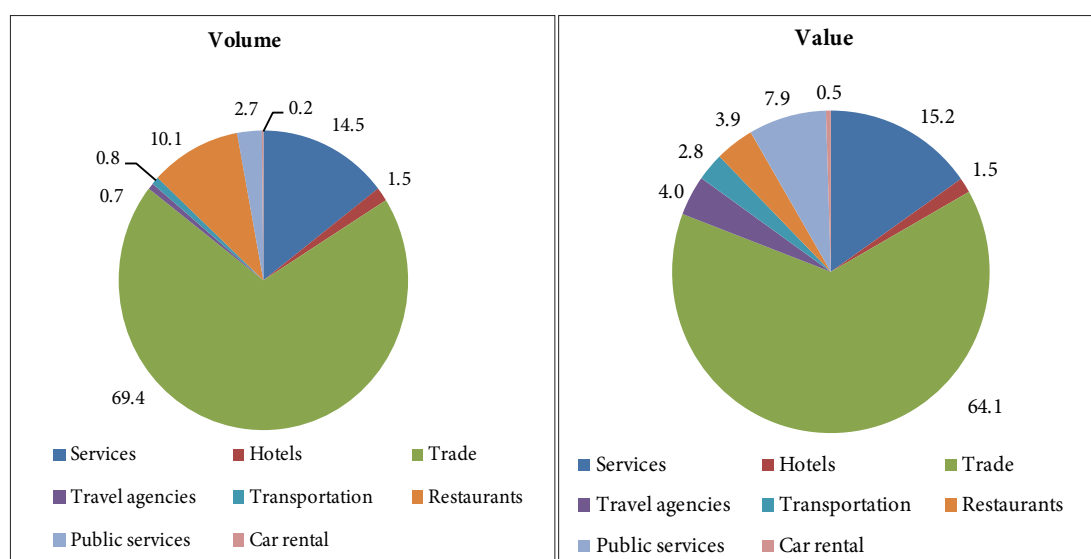
Source: SISP

Regarding distribution of payments at POS using vinti4 cards (Graph II.13), by sector, we highlight payments at commercial establishments, with 1,802,164 transactions (69.4%) valued at 7,522.5 million escudos (64.1%), followed by services, with 14.5% (376,896 transactions) valued at 1,789.9 million escudos (15.2%), and restaurants, with 10.1% (262,156 transactions) valued at 462.2 million escudos (3.9%). Other sectors⁶ participated with a total of 154,074 transactions (5.9%) valued at 1,966.3 million escudos (16.7%).

⁵ Particularly Visa, since MasterCard, whose acceptance was suspended in August 2010, started to be accepted in the network as of November 2011.

⁶ Namely hotels, public services, transportation, travel agencies, car rental and restaurants.

**Graph II.13 - Vinti4 card payments by sector
2011**



Source: SISP

Analyzing the use of vinti4 cards at ATMs, in transactions involving movement of funds, there was an increase of 17.8% in volume and 12.1% in value, in 2011. Particularly regarding payments made through POS using vinti4 cards, the data in Tables II.7 and II.8 make clear the growing ease and confidence of the Cape Verdean population in making payments through these terminals, given the already known advantages, namely convenience and safety. There was a significant growth in volume and value (50.7% and 43.8% respectively) compared to 2010 (volume: 33.6%; value: 30.4%).

Table II.7 - Transactions involving movement of funds made using a vinti4 card (volume)

	2006	2007	2008	2009	2010	2011	Unit
Withdrawals	1,626,540	1,988,572	2,765,388	3,179,623	3,906,686	4,469,002	
Transfers	3,956	5,737	8,312	8,767	11,772	15,361	
Payment for services	1,799	1,874	3,696	3,944	5,184	4,154	
Purchase of mobile phone minutes	102,811	320,529	449,264	395,857	698,181	957,028	
Payments at POS	397,555	578,253	879,523	1,146,085	1,722,251	2,595,290	
	Growth (%)						
Withdrawals	34.1	22.3	39.1	15.0	22.9	14.4	
Transfers	55.2	45.0	44.9	5.5	34.3	30.5	
Payment for services	108.2	4.2	97.2	6.7	31.4	-19.9	
Purchase of mobile phone minute (Grilo)	102.2	211.8	40.2	-11.9	76.4	37.1	
Payments at POS	37.8	45.5	52.1	30.3	50.3	50.7	

Source: SISP

Table II.8 - Transactions involving movement of funds made using a vinti4 card (value)

Million escudos						
	2006	2007	2008	2009	2010	2011
Withdrawals	11,182.2	12,531.8	17,763.5	18,770.2	21,616.4	23,988.0
Transfers	161.8	212.4	280.3	306.4	374.9	497.6
Payment for services	8.8	21.1	46.1	99.1	95.5	246.4
Purchase of mobile phone minutes	174.7	347.6	339.1	226.9	324.2	388.7
Payments at POS	1,892.7	2,741.1	4,202.4	5,335.7	8,167.1	11,741.0
Growth (%)						
Withdrawals	35.3	12.1	41.7	5.7	15.2	11.0
Transfers	66.4	31.3	32.0	9.3	22.4	32.7
Payment for services	15.8	140.0	118.2	115.0	-3.6	158.0
Purchase of mobile phone minutes (Grilo)	88.1	99.0	-2.5	-33.1	42.9	19.9
Payments at POS	45.7	44.8	53.3	27.0	53.1	43.8

Source: SISP

Regarding the use of vinti4 cards in transactions involving movement of funds in the network, there was a generalized increase in all features, both in volume and value. Barring exceptions, the feature “payments for services” was the only one that showed a decrease in volume (19.9%), while displaying a significant increase in value (158.0%).

Also in the electronic payment cards segment, 2011 shows a recovery of payments made using international cards, when compared with the downward trend observed in 2010 over 2009 (down 3.2% in volume and 5.9% in value). Indeed, there was an increase (8.7% in volume and 9.4% in value) in transactions made using this type of card, which contributed a total of 208,280 transactions (2010: 191,664) valued at 2,588.2 million escudos (2010: 2,365.8 million escudos). The monthly average increased from 15,972 transactions valued at 197.2 million escudos, in 2010, to 17,357 transactions valued at 215.7 million escudos, in 2011.

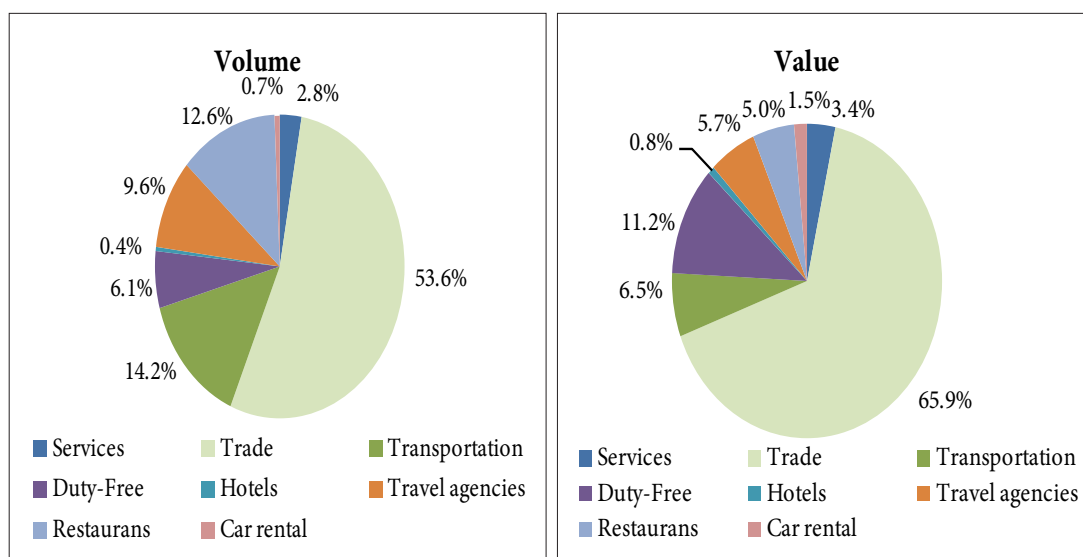
It should be noted that the acceptance of MasterCard, which was suspended in the second half of 2010, was reactivated in November 2011.

With the availability of the Visa network service to residents starting in January 2005, credit institutions in the country began issuing Visa cards to their customers and, by late 2011, a total of 6,973 cards (808 cards less than in 2010) had been produced. Of that total, 57.1% (3,980 cards) corresponded to new issues and 42.9% (2,993 cards) to renewals. By card model, 5,127 prepaid cards and 1,846 credit cards (Gold, Classic and Corporate) were issued.

Analyzing the use of international cards in the context of distribution of payments made at POS by sector, the trend of previous years is maintained, with the hospitality sector standing out as the one with the most movements using international cards and a share of 53.6% of total payments (33,793) valued at 565.5 million escudos (65.9%). Next, we have purchases made at commercial establishments, with 8,923

transactions (14.2%) valued at 55.8 million escudos (6.5%), and at Duty-Free shops (airports), with 12.6% in volume and 5.0% in value of transactions.

Graph II.14 - International card payments by sector – 2011

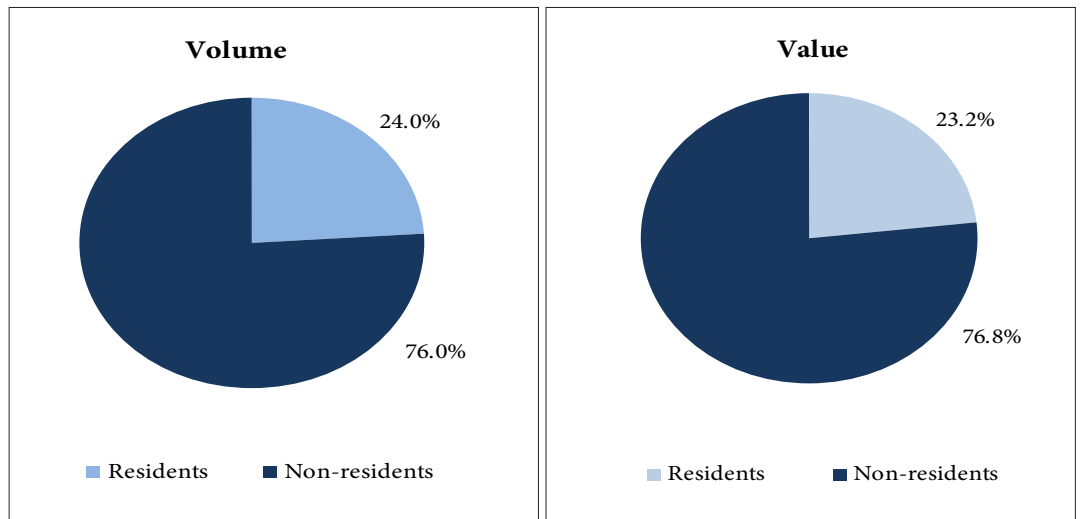


Source: SISP

A detailed analysis of the use of international cards shows some economic and social evidence. Thus, it is possible to distinguish, through Graph II.15, that transactions made by non-residents in the country using international cards are demonstrably higher than those made by residents, in both volume and value, although the former lost considerable ground to the latter, in 2011. Still, payments made by non-residents continue to have a significant weight in volume (76.0%) (2010: 92.2%) and value (76.8%) (2010: 91.3%). This translates into a total of 208,280 transactions valued at 2,588.2 million escudos.

Meanwhile, payments by residents valued to 65,296 transactions valued at 783.9 million escudos, which translates into a weight of 24.0% in volume (2010: 7.8%) and 23.2% in value (2010: 6.1%). Transactions made using Visa cards by nationals abroad are, in volume and value, reduced compared to those made by non-residents in the country, due on the one hand to costs associated with a Visa transaction and, on the other hand, because the number of foreign tourists on vacation in Cape Verde is higher than that of nationals carrying VISA cards when traveling abroad, with the caveat that many nationals still prefer to travel with cash.

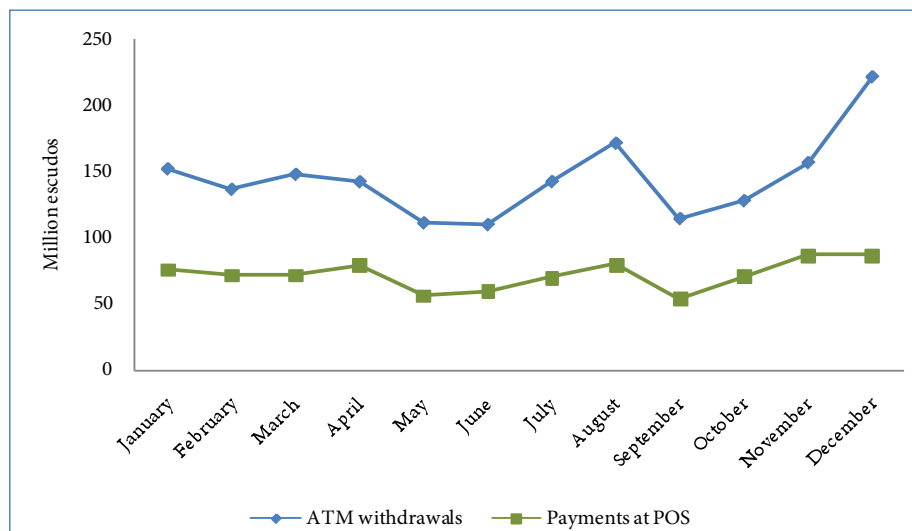
Graph II.15 - International card use on the vinti4 network by residents and non-residents - 2011



Source: SISP

Also with regard to withdrawals at ATMs and payments at POS using international cards, in 2011, Graph II.16 highlights a certain seasonal component, especially in the months of August and December, during which there is a greater flow of the Cape Verdean diaspora (emigrants, students on vacation and others), as well as in January and November, reflecting the large influx of tourists. However, it should also be noted that the acceptance of international cards in Cape Verde is in a phase of consolidation, with new institutions joining, of strengthening services provision, and of expanding the ATM and POS network to other islands and municipalities, as well as acceptance of new cards.

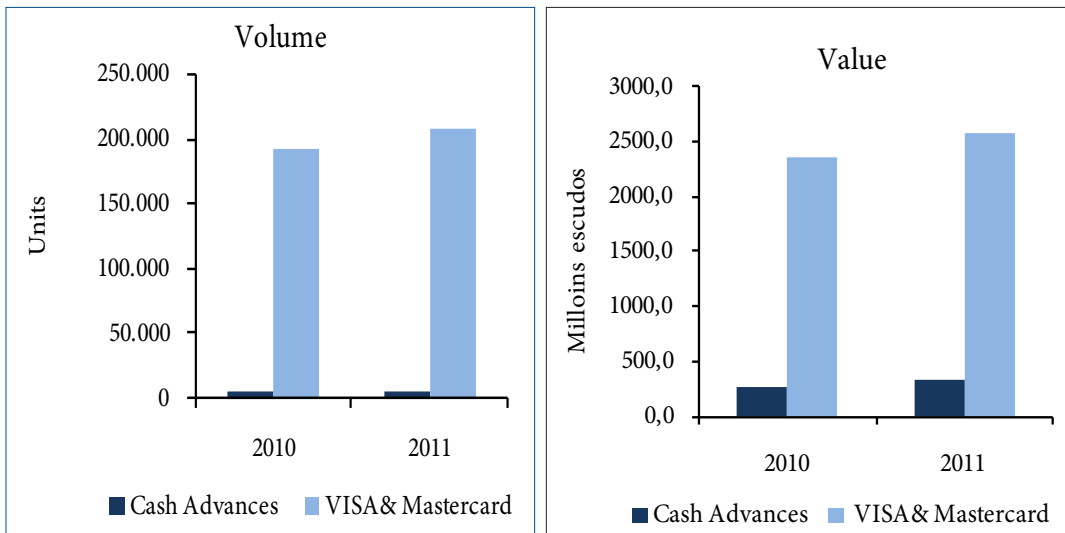
Graph II.16 - Transactions made on vinti4 network using international cards



Source: SISP

Alongside the acceptance of international cards on the vinti4 network, 6,109 cash advance⁷ transactions were carried out (+ 610 transactions) at banks, valued at 329.0 million escudos (2010: 264.6 million escudos), which represents increases of 11.5% in volume and 24.3% in value compared to 2010.

Graph II.17 - Cash advances and international cards transactions



Source: BCV

2.2 - Regulation and Control

Banco de Cabo Verde’s duties in terms of regulating, supervising and promoting the smooth operation of clearing and payment systems, of providing clearing and settlement services and its role as a catalyst for financial system development in the context of minimizing risks and operating costs are fulfilled based on the following aspects:

- i) Continuous monitoring of payment instruments so that, once shortcomings and malfunctions are identified, the most appropriate solutions from a regulatory standpoint are proposed;
- ii) Management of deposit and settlement accounts opened at Banco de Cabo Verde, ensuring compliance with the legislative instrument that regulates the opening and operation of demand deposit accounts at Banco de Cabo Verde by credit institutions and other entities;
- iii) Management of the Check Incident Report Office (CIC), in terms of both operational and regulatory aspects;
- iv) Informing and training the general banking public on contents and matters relating to payment systems.
- v) Implementation of the supervisory role by adopting the Core Principles

⁷ Acceptance of international cards via agreements between national credit institutions and operators and foreign entities.

for Systemically Important Payment Systems defined by the Committee on Payment and Settlement Systems (CPSS) and defining the methodology and instruments to implement that role.

Thus, in 2011 several rules-related activities were carried, of which the following stand out::

- Publication of Notice No. 2/2011, which lays down the general conditions for opening deposit accounts with credit institutions that are legally authorized to operate in Cape Verde;
- Publication of new Technical Instructions relating to restrictions on the use of checks, as a result of the publication of Decree-Law No. 12/2010, which modified the legal framework on the matter, with a view to strengthening the accountability of credit institutions and Banco de Cabo Verde;
- Publication of Book No. 2 of the Payment Systems Series on “Opening and Operating Demand Deposit Accounts”;
- Creation of an electronic funds transfer system and publication of system manuals;
- Updating of the Integrated Interbank Clearing and Settlement System’s (SICIL) regulation, by virtue of the Electronic Funds Transfer System becoming operational. Internal rules relating to the new circuit/flow of communication with internal (BCV’s Organic Units) and external (Special entities with accounts at BCV) stakeholders, system users, were also established/disseminated, with a view to harmonizing the procedures defined in the regulations and manuals;
- Collaboration with SISP in running tests to certify new participants who requested membership to the Check Clearing and Electronic Funds Transfer Systems;
- Issuance of circular letters to publicize the admission of new participants in the Check Clearing and Electronic Funds Transfer Systems, as well as physical exchange centers;
- Monitoring and running of tests as part of the implementation of the Reserve Management System, whose communication with the Settlement Systems, which are managed by the Division of Payment Systems, is now in real time;
- In exercising the powers conferred on Banco de Cabo Verde by the legal framework on checks without funds, through own investigations, 27 entities were removed from the Check Incident Report Office’s List of Risk Users, 26 for complying with the legal deadline and 1 by request and after verifying the need to use this payment instrument.

Box 1

Check Incident Report Office

On February 8, 2011, Legislative Decree No. 12/2010 came into effect. It amended Legislative Decree No. 12/95, of December 26, accommodating the bulk of the provisions therein inserted and, at the same time, adding and changing others.

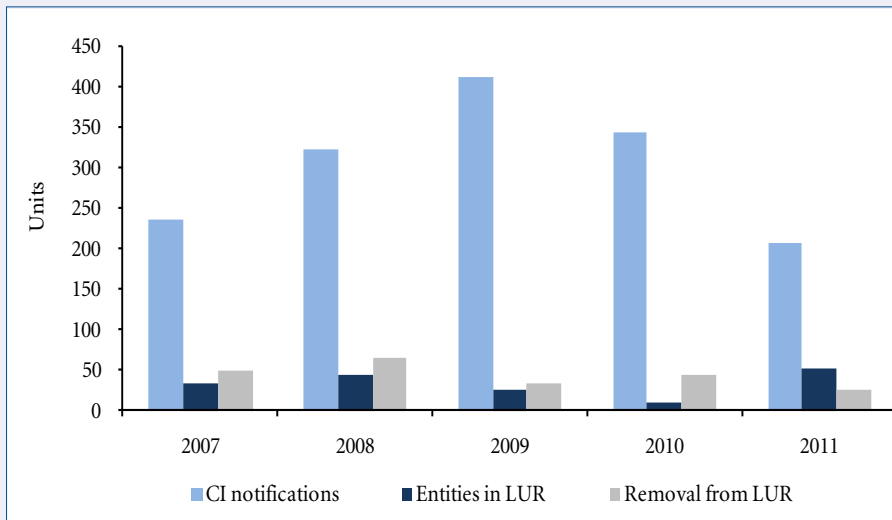
The main innovations of this regime include: changing the minimum value that drawee credit institutions are required to pay to 10,000 escudos, regardless of the lack or insufficiency of funds; requiring the entities covered by the decision to terminate check use agreement to return the checks in their possession within ten days of receiving notification of check agreement termination; and, also, changing the deadline, the methodology and the jurisdiction in agreement renewals set out in Article 4 of Legislative Decree No. 12/95, of December 26, increasing it to two years and unifying it with the deadline laid down in Article 7 of the aforementioned law.

The current checks without funds system is completed by Banco de Cabo Verde's Technical Instructions issued by the Circular Series A, No. 163, of 11/23/2011, which publishes a set of instructions designed to ensure uniform application of legal provisions.

On December 31, 2011, the Check Incident Report Office (CIC) had a total of 1,668 users, of whom 1,389 (83.3%) corresponded to individuals and 279 (16.7%) to legal entities. This represents an increase of 8.0% (124 more users) compared to 2010.

An analysis of Graph II.18 shows a significant growth in terms of the check users put on the List of Risk Users (Portuguese acronym: LUR) in 2011, compared to 2010. This is explained by the changes introduced by the new restricted check use system, which determines that users be put on that list after BCV receives the first notification from credit institutions. Before, users used to be put on that list only after BCV received the second notification from credit institutions. In 2011, 53 entities (43 more entities than in 2010) were included in the LUR, of which 38 were individuals and 15 legal persons, representing a significant increase (above 400%).

Graph II.18 – Check Incident Report Office



Source: BCV

Also regarding tasks under the restricted check use system, during the year under review Banco de Cabo Verde examined and granted a request for removal made directly by a private entity. In addition, 26 entities were automatically removed from the List of Risk Users for compliance with the 2-year legal deadline.

Table II.9 demonstrates the evolution of the CIC during 2011, while also facilitating a comparative analysis of the past five years. In this regard, and following the same trend of 2010, the system observed another decrease (around 39.8%) in the number of notifications

Table II.9 - Evolution of Check Incident Report Office

	Units				
	2007	2008	2009	2010	2011
Notifications from CI	236	323	414	344	207
BCA	189	320	413	290	190
CECV	6	3	0	20	7
BI	0	0	1	27	4
BCN	41	0	0	7	2
NB					4
Entities included in the LUR during the year	35	45	27	10	53
Individuals entities	25	30	20	8	38
Legal entities	10	15	7	2	15
Removals from the LUR	49	65	33	46	27
By request	9	3	2	7	1
By legal deadline	40	62	31	39	26
Total Registered Users in CIC	182	212	176	346	150

Source:BCV

In 2011, BCV continued the practice of disclosing through the banking system, on a regular basis, the list of entities (individuals and legal persons) that are put on or removed from the List of Risk Users due to notifications received from each credit institution in the country, as well as the updated lists of entities that are automatically removed from the LUR for meeting the deadline laid down in Article 7 of Legislative Decree No. 12/95.

Finally, as part of the management of the Check Incident Report Office and its mission to oversee the payment system, under Article 19 of its Organic Law, Banco de Cabo Verde carried out inspections of four credit institutions operating in country, in order to assess compliance with legal and operational procedures relating to restricted check use and opening of accounts, now in the light of the recently published Legislative Decree No. 12/2010. These activities made it possible to detect the prevailing problems and constraints, leading to the subsequent adoption of measures deemed necessary to fulfill the legal requirements.

CHAPTER III
Interbank Clearing and Financial Settlement

3. Sistemas de Compensação e de Liquidação Interbancária

3.1 - Clearing and Interbank settlement Systems

In the context of its statutory roles, Banco de Cabo Verde is responsible for the management and operation of the Integrated Interbank Clearing and Settlement System (SICIL), which includes the following subsystems: clearing of checks and related documents; interbank transfers; vinti4 network transactions; and the Stock Exchange transactions. It also operates and manages the Deposit and Settlement Management System (SGDL).

The Integrated Interbank Clearing and Settlement System (SICIL) is a clearing settlement system, on a multilateral net basis. It is managed by Banco de Cabo Verde and includes four distinct subsystems:

- i) Electronic clearing of checks and related documents;
- ii) Electronic clearing of interbank transfers;
- iii) Transactions processed through the vinti4 network;
- iv) Transactions processed through the Cape Verde Stock Exchange.

Payments between institutions participating in the Integrated Clearing and Settlement System and in the Deposit and Settlement Management System are made through single settlement accounts at Banco de Cabo Verde, irrevocably and unconditionally. In the SICIL, settlement is processed by offsetting balances, while in the SGDL transactions are processed on an individual basis. In accordance with the generally defined principles, in the first case, a large number of low value transactions, with limited systemic risk, is processed, while in the second case, large value transactions are processed in order to minimize the main risks associated with large value payment systems, thus contributing to the smooth functioning of the payment system in Cape Verde.

Systemic risk is one of the most important risks, since its effects can be most significant. Such a risk may occur if, for lack of compliance of a participant in the payment system, other participants are unable to fulfill their responsibilities and stop complying. This risk can cause an entire economy to have difficulties, so payment system regulators seek to make sure provisions that minimize this risk are complied with.

3.2 - Deposit and Settlement Management System

In 2011, the Deposit and Settlement Management System settled 5,954,621 transactions valued at 935,829.2 million escudos, which corresponds to growths both in terms of volume (33.2%) and value (2.2%) compared to 2010. Graph III.1 shows us that the settlement system in Cape Verde is in line with the international trend, with the gross settlement systems processing small payment values. In the SGDL, gross settlement was 0.1% (80.3% in value), constituting sufficient evidence of the systemic importance of this system. In 2011, the average value per transaction in the SGDL was 90.1 million escudos, equivalent to 0.03 million escudos in the SICIL.

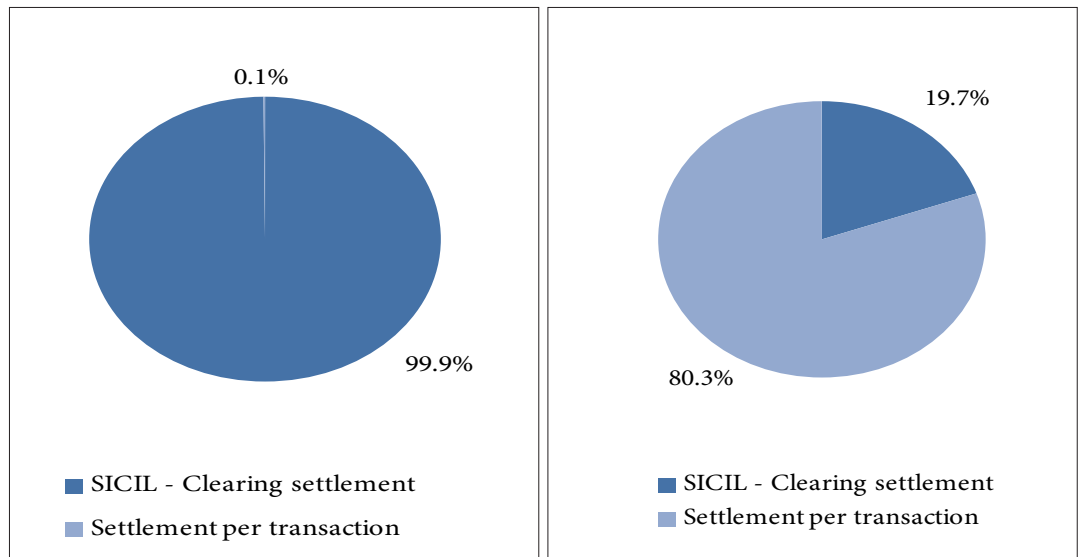
Quadro III.1 - Operações liquidadas no BCV

Volume:units; Value: million escudos						
	2010		2011		Change (%)	
	Volume	Value	Volume	Value	Volume	Value
SICIL – Clearing settlement	4,464,246	179,182.1	5,946,279	184,141.3	33.2	2.8
Checks	364,642	83,205.8	368,3	84,572.5	1.0	1.6
Interbank Transfers	84,07	75,024.6	115,669	75,949.0	37.6	1.2
Vinti4 Network	4,014,614	17,885.2	5,461,194	20,157.6	36.0	12.7
Stock Exchange	920	3,066.5	1,116	3,462.2	21.3	12.9
Foreign Exchange Market	1,209	61,209.5	1,699	57,242.8	40.5	-6.5
Money and Public Debt Market	1,417	636,691.7	2,046	643,359.3	44.4	1.0
Deposits and cash withdrawals	1,874	28,634.7	2,307	37,122.5	23.1	29.6
Other	1,816	10,397.7	2,290	13,963.3	26.1	34.3
Total	4,470,562	916,115.8	5,954,621	935,829.2	33.2	2.2

Source:BCV

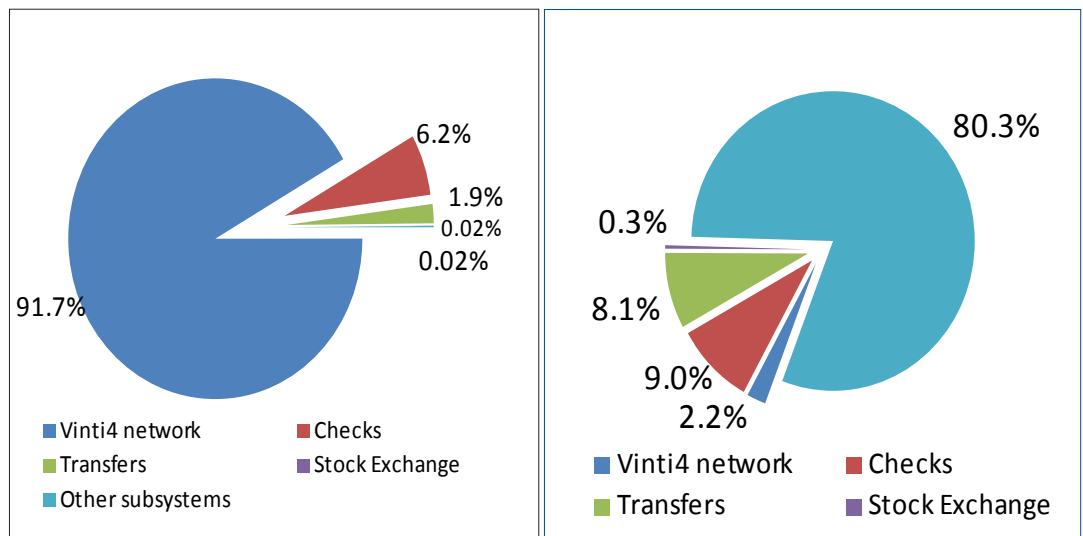
Transactions settled by clearing in the SICIL, representing 99.9% of the total number of settlements, that is, 5,942,890 transactions, account for only 19.7% in value (184,141.3 million escudos).

Graph III.1 - Overall transactions settled at Banco de Cabo Verde - 2011



Source: BCV

Graph III.2 - Movement by settlement subsystem - 2011



Source: BCV

The positive trend observed in the overall number of transactions settled at Banco de Cabo Verde is reflected in the growth of average daily transactions settled, with growths of 32.0% and 1.3% in volume and value, respectively, rising from 12,823 transactions/day valued at 3,641.9 million escudos, in 2010, to 16,920 transactions/day valued at 3,688.8 million escudos, in 2011. This growth in terms of volume was due to clearing transactions, particularly in the transfers and vinti4 network subsystems and foreign exchange market and money market.

Of the total settled in the SGDL through the Foreign Exchange Market, 13.5% in volume and 80.6% in value represent purchase and sale of foreign currency by credit institutions, while other transactions, including payment instructions from/to foreign countries from the Treasury and the State's special accounts, contributed

86.4% and 19.4% in volume and value, respectively. In terms of the Money and Public Debt Market, 77.9% in volume and 95.1% in value of transactions settled in the SGDL relate to transactions contracted in the Interbank Money Market (IMM) and Intervention Operations Market (IOM), while 22.1% in volume and 4.9% in value relate to transactions in the public debt market.

The clearing settlement system (SICIL) had growths of 33.2% in volume and only 2.8% in value. Consequently, these rates represent daily average increases of 32.0% in volume and 1.7% in value, rising from 12,797 transactions/day valued at 694.2 million escudos in 2010 to 16,887 transactions/day valued at 706.0 million escudos in 2011.

In view of the various subsystems that comprise the SICIL and similar to previous years, the vinti4 network maintained the growth trend in terms of average daily transactions processed, increasing 36.0% in volume (2010: 15.6%) and 12.7% in value (2010: 25%). The daily average stood at 14,962 transactions valued at 55.2 million escudos (+ 3,963 transactions valued at 6.2 million escudos), confirming the increased use of electronic payment instruments, despite the positive evolution of paper instruments (checks and transfers), which represent approximately 87.1% (checks: 45.7%; transfers: 41.4%) of the values settled through that system. It should be noted, however, that paper instruments have been showing a progressive decrease in their relative weight, in terms of values (2009: 90.6%; 2010: 88.3%).

Next we have the transactions in the Cape Verde Stock Exchange which had growth rates in volume (21.3%) and value (12.9%), though maintaining a residual share of total transactions settled (volume: 0.02%; value: 2.2%).

Banco de Cabo Verde's peripheral subsystems which settle transactions through the SGDL contributed a total of 8,342 transactions valued at 751,688.0 million escudos, which translates into an increase of 32.1% in volume (2,026 more transactions) and 2.0% in value (+ 14,751.3 million escudos), corresponding to a daily average of 33 transactions valued at 2,982.9 million escudos. The average value settled through these subsystems stands at 90.1 million escudos (2010: 116.9 million escudos).

Quadro III.2 - Médias diárias de operações liquidadas no BCV

Volume:units; Value: million escudos						
	2010		2011		Change (%)	
	Volume	Value	Volume	Value	Volume	Value
SICIL - Clearing settlement	12,797	694.2	16,887	706.0	32.0	1.7
Checks	1,459	332.8	1,462	335.6	0.2	0.8
Interbank Transfers	336	300.1	459	301.4	36.5	0.4
Vinti4 Network	10,999	49.0	14,962	55.2	36.0	12.7
Stock Exchange	4	12.3	4	13.7	20.3	12.0
Foreign Exchange Market	5	244.8	7	227.2	39.4	-7.2
Money and Public Debt Market	6	2,546.8	8	2,553.0	43.2	0.2
Deposits and cash withdrawals	7	114.5	9	147.3	22.1	28.6
Other	7	41.6	9	55.4	25.1	33.2
Total	12,823	3,641.9	16,920	3,688.8	32.0	1.3

Source: BCV

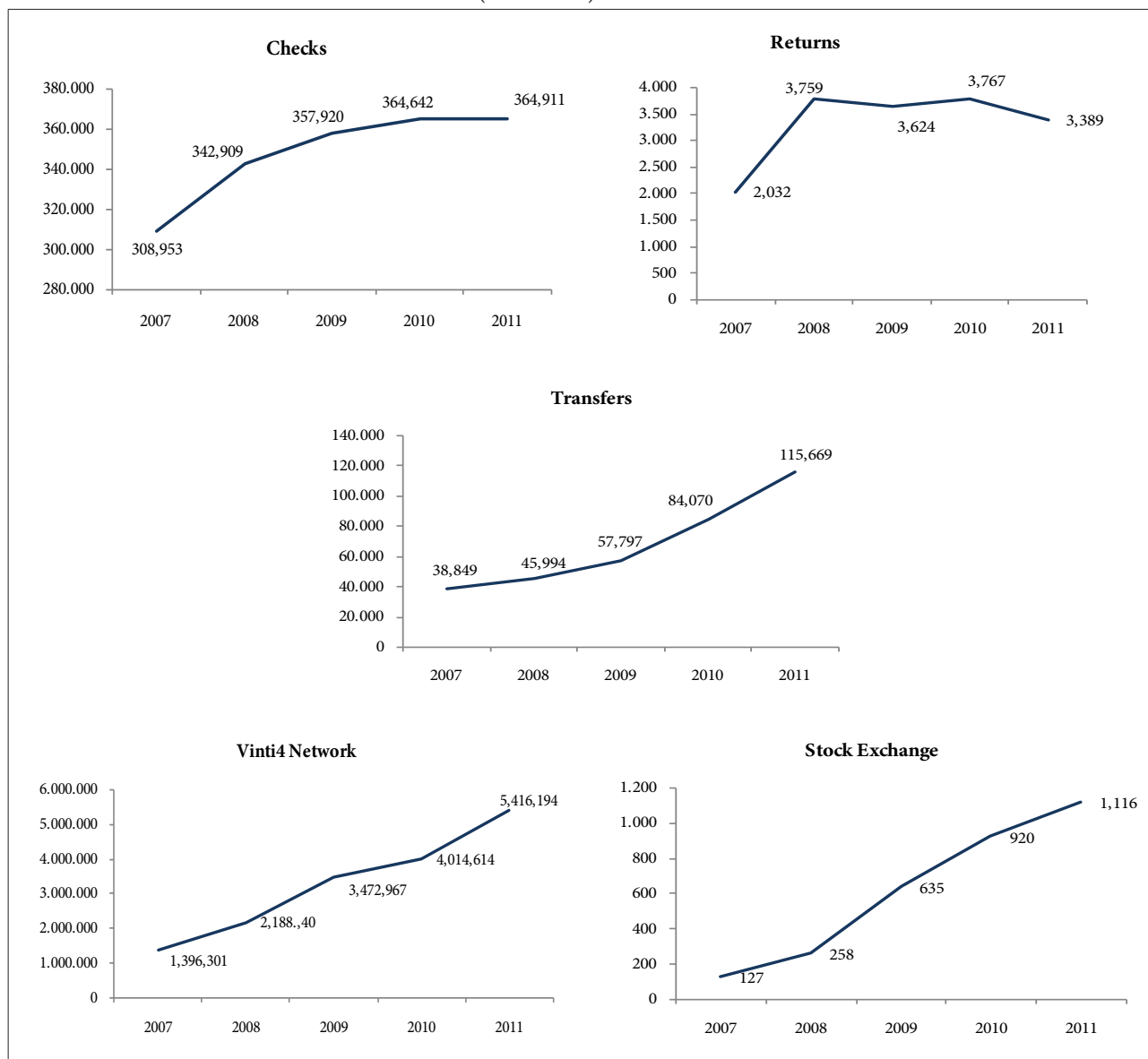
3.3 - Integrated Interbank Clearing and Settlement System

Overall, the subsystems that comprise the Integrated Interbank Clearing and Settlement System presented the following evolution over the last five years, according to the peculiarities that characterize each subsystem (Graph III.3 and III.4):

- (i) The positive rate of change in volume and value of checks in 2011, compared to 2007, stood at 18.1% and 15.5%, respectively, confirming that the annual growth rate was not very strong over those years. Note that, after reaching the maximum value of 96,297.2 million escudos in 2008, the year the automated check clearing system became operational, they (checks) have shown a downward trend in terms of value, though there was a slight increase in 2011 (0.7%);
- (ii) Following the same trend, check returns show a more significant change in 2011 compared to 2007, despite the irregular behavior over the last five years and the extraordinary increases seen in 2008 in volume and value (from 2,032 returns valued at 453.3 million escudos in 2007, it rose to 3,759 returned checks, valued at 10,220.4 million escudos). This behavior is explained by the bias in data caused by some mistakes made by participants with the operationalization of the teleclearing system during the period of adaptation to the new procedures put in place;
- (iii) Comparing 2011 to 2007, one easily realizes the positive and significant evolution in the volume of interbank transfers (almost 200%) and the less significant evolution in value (23.3%). This growing trend scenario shows a high degree of confidence in the use of the transfer system;

- (iv) The subsystem of transactions processed through the Vinti4 Network also confirm this extraordinary growth trend, with rates above 200% when comparing 2007 with 2011. The level of reliability in its use underpins this analysis;
- (v) The extraordinary evolution of the Stock Market reached a peak in 2011, totaling 1,116 transactions valued at 3,462.2 million escudos and with growths of 778.7% in volume and 9,232.1% in value, from 2007 to 2011, due to the new momentum gained by the Cape Verde Stock Exchange, especially in the policy aimed at intensifying public offerings.

Graph III.3 – Evolution of the Integrated Interbank Clearing and Settlement System in volume (2007-2011)

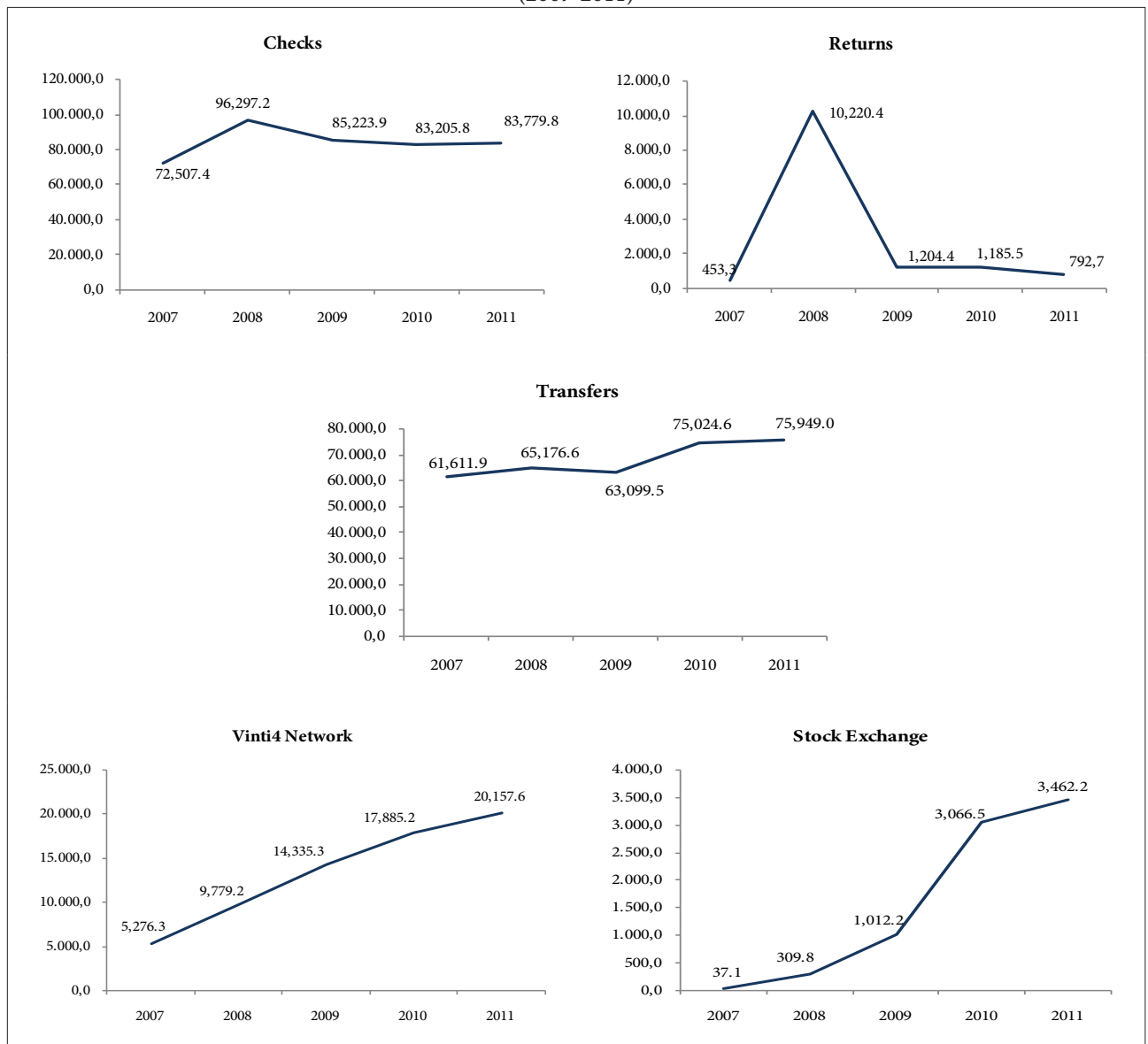


Source: BCV

An analysis of graphs III.3 and III.4 makes it possible to conclude that the small growth rates of checks point to a potential reduction in their use in coming years as a result of increased use of other payment instruments, particularly electronic instruments, such as cards and transfers. It should be noted here that the electronic funds transfer system became operational in September 2011, as referenced in text box 2. On the other hand, the Stock Exchange has been increasing its share proportionally with the other three subsystems, although with an insignificant contribution in the SICIL.

It should be noted, however, that the policy to boost the secondary market will contribute significantly to the evolution of the Cape Verde Stock Exchange transactions in the coming years.

Graph III.4 – Evolution of the Integrated Interbank Clearing and Settlement System in value (2007-2011)

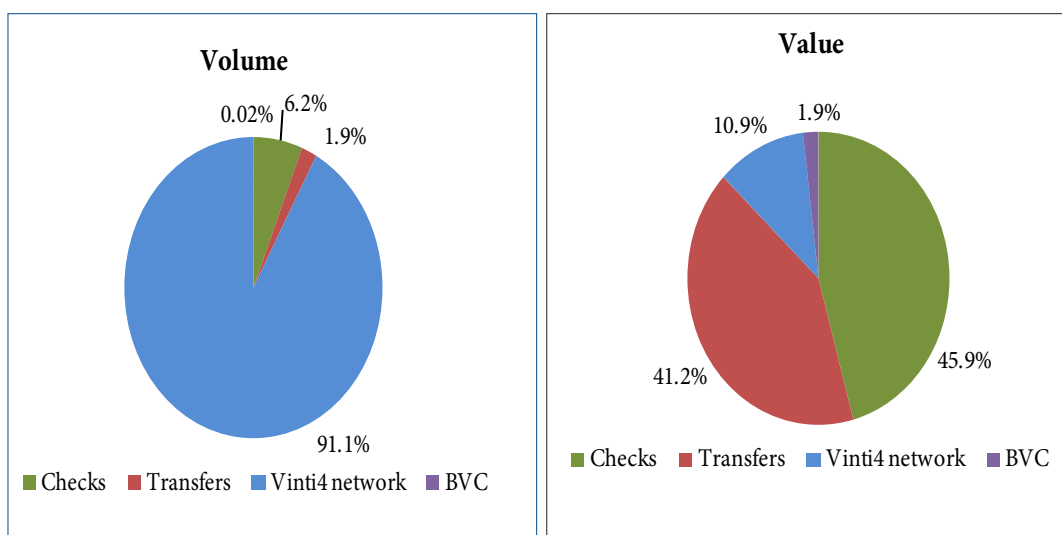


Source: BCV

Analyzing specifically the year 2011, the same trend of positive change seen in 2010 is observed in the SICIL. The rate of change in volume (33.1%) was more significant than in value (2.3%), due to the fact that the values of checks (up 0.7%) and transfers (up 0.4%) processed almost did not suffer significant changes. As regards the checks subsystem, there was also an almost imperceptible growth in terms of volume (0.1%).

This is quite explicit in graph III.5, which shows the growth occurred in all four subsystems. The Vinti4 Network stands out with a very significant share (91.9%) in volume (2010: 89.9%), despite achieving only 10.9% in value (2010: 10.0%) of total transactions processed in the SICIL. The Checks and Related Documents and Interbank Transfers subsystems continue to have significant weight in the system, accounting together for about 87.1% of the cleared amounts, although their share in value has been decreasing in the last four years (2010: 88.3%; 2009: 90.7%; 2008: 94.0%). With a still insignificant contribution (0.02% in volume and 1.9% in value), the Stock Exchange had a lower increase than in the previous year (falling from 44.9% to 21.3% in volume and 203% to 12.9% in value).

**Graph III.5 - Integrated Interbank Clearing and Settlement System
2011**



Source: BCV

3.3.1 - Clearing of Checks and Related Documents

During 2011, the number of checks processed and returned was 368,300, valued at 84,572.5 million escudos. When compared with the previous year, it is concluded that there were practically no changes in terms of volume and value (Table III.3). Regarding the daily average, which resulted in about 1,462 documents per day, valued at 335.6 million escudos, there were negative changes in both volume and value. Still, the checks and related documents subsystem continues to be the most representative in terms of processed value, corresponding to approximately 45.7% of the total value of transactions cleared in the SICIL in 2011 (Graph III.3).

Table III.3 - Checks and returns presented for clearing

Volume: units; Value: million escudos						
	2010		2011		Change %	
	Volume	Value	Volume	Value	Volume	Value
Checks	364,642	83,205.8	364,911	83,779.8	0.1	0.7
Returns	3,767	1,185.5	3,389	792.7	-10.0	-33.1
Total	368,409	84,391.3	368,300	84,572.5	-0.03	0.2

Source: BCV

While the positive change in the volume of checks was less marked than in previous years, the insignificant increase in value contradicted the decreasing trend of 2 years ago (2009: -11.5%; 2010: -2.4%). In this scenario, the average has remained at about 0.2 million escudos per check since 2009, while the data indicate that an average of 1,448 checks, valued at 332.5 million escudos, were processed per day in 2011. Despite the aforementioned gradual decrease in the weight of checks in the interbank clearing system, this type of instrument has been responsible for a substantial proportion of transactions settled by clearing, going from 8.2% to 6.1% in volume and 46.4% to 45.7% in value, from the previous year to 2011.

Check returns, which have had a more irregular behavior in terms of growth in recent years (Graph III.3 and III.4), fell by 10% in volume and by 33.1% in value compared to 2010, while continuing to have a residual weight in the total number of documents processed in terms of both volume and value.

Table III.4 makes it possible to compare the 30,409 checks, valued at 6,981.7 million escudos, that were monthly presented for clearing in 2011 with the monthly average for 2010, reflecting insignificant increases in volume and value (2010: 30,387 checks valued at 6,933.8 million escudos). Throughout the year under review, with the exception of the months of March, July and December, there were increases in the volume of checks presented for clearing, with the most important change (12.9%) occurring in January (28,276 checks). Similarly, in terms of value, only the months of February, April, July and December had negative changes, with the most significant increase (13.9%) in terms of value occurring in June (equivalent to 8,137.4 million escudos).

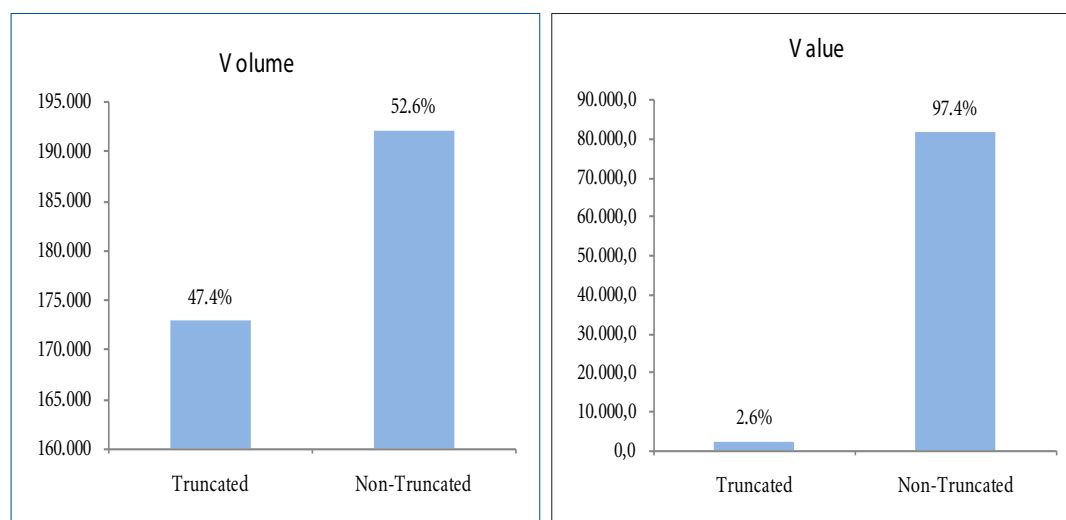
Table III.4 - Monthly data on checks presented for clearing

Volume: units; Value: million escudos						
	2010		2011		Change %	
	Volume	Value	Volume	Value	Volume	Value
January	25,043	6,127.0	28,276	6,783.6	12.9	10.7
February	26,400	7,672.3	28,919	6,160.2	9.5	-19.7
March	33,059	6,538.1	32,556	7,091.0	-1.5	8.5
April	29,400	6,439.3	29,710	6,323.6	1.1	-1.8
May	29,444	5,996.4	31,729	6,704.3	7.8	11.8
June	30,661	7,145.8	30,771	8,137.4	0.4	13.9
July	31,248	6,918.9	29,700	6,556.2	-5.0	-5.2
August	30,653	6,910.9	32,025	7,148.2	4.5	3.4
September	29,921	6,597.7	30,337	7,243.5	1.4	9.8
October	29,117	7,090.2	30,415	7,471.1	4.5	5.4
November	30,888	6,645.8	32,197	7,377.1	4.2	11.0
December	38,808	9,123.4	28,276	6,783.6	-27.1	-25.6
Total	364,642	83,205.8	364,911	83,779.8	0.1	0.7
Monthly average	30,387	6,933.8	30,409	6,981.7	0.1	0.7

Source: BCV

An analysis of the weight of truncated and non-truncated checks (Graph III.6) in terms of the volume and value cleared enables us to conclude that non-truncated checks continue to have a larger representation, accounting for 52.6% of the volume and 97.4% of the total value processed in 2011. In turn, checks that were truncated in the borrowing institution represent only 2.6% of the total value (2,190.5 million escudos), despite being significant in terms of volume (Table III.5: 172,821 checks).

Graph III.6 - Weight of truncated and non-truncated checks



Source: BCV

Table III.5 - Truncated and non-truncated checks presented

Volume: units; Value: million escudos				
Presented				
	Truncated		Non-Truncated	
	Volume	Value	Volume	Value
January	12,813	159.3	15,463	6,624.3
February	14,102	176.7	14,817	5,983.5
March	15,942	198.8	16,614	6,892.2
April	14,367	180.9	15,343	6,142.7
May	15,917	200.4	15,812	6,503.9
June	14,582	186.0	16,189	7,951.4
July	13,838	176.5	15,862	6,379.7
August	15,170	196.1	16,855	6,952.2
September	14,113	182.6	16,224	7,060.9
October	14,226	181.7	16,189	7,289.3
November	14,938	192.3	17,259	7,184.8
December	12,813	159.3	15,463	6,624.3
Total	172,821	2,190.5	192,090	81,589.3
Monthly average	14,402	182.5	16,008	6,799.1

Source: BCV

Table III.6 shows the monthly data on checks and returns presented for clearing which, compared to the monthly average for the previous year, help to see: (i) the positive evolution of the volume and value of checks; (ii) in the opposite direction and to a greater extent, the reduction in the volume and value of returned checks in 2011 (282 returns, valued at 66.1 million escudos). From 30,387 registered checks per month in 2010 (valued at 6,933.8 million escudos), the monthly average rose to 30,409 checks, valued at 6,981.7 million escudos.

Table III.6 - Checks and returns presented for clearing – 2011

Volume: units; Value: million escudos				
	Checks		Returns	
	Volume	Value	Volume	Value
January	28,276	6,783.6	306	56.7
February	28,919	6,160.2	199	56.9
March	32,556	7,091.0	277	56.1
April	29,71	6,323.6	252	77.4
May	31,729	6,704.3	245	46.3
June	30,771	8,137.4	318	98.3
July	29,700	6,556.2	335	74.6
August	32,025	7,148.2	348	41.7
September	30,337	7,243.5	275	86.4
October	30,415	7,471.1	254	54.9
November	32,197	7,377.1	274	86.6
December	28,276	6,783.6	306	56.7
Total	364,911	83,779.8	3,389	792.7
Monthly average	30,409	6,981.7	282	66.1
Total 2010	364,642	83,205.8	3,767	1,185.5
Monthly average 2010	30,387	6,933.8	314	98.8

Source: BCV

Over the years, “lack or insufficiency of funds” has been the main reason for check returns and, in the period under review and compared to 2010, this reason represented 76% of total returns (Table III.7). “Various reasons,” which in the previous year was the third leading cause of returns, ranks second, with growths of 59.1% in volume and a 62.5% decrease in value. “Duplicate record,” whose return code is used by both the drawee institution and the borrowing institution, went from 451 returned checks, valued at 139.5 million escudos, in 2010, to 18 checks, valued at 2.2 million escudos, in 2011 (sharp decreases of 96% and 98.5% in volume and value, respectively).

Table III.7 - Returned checks by reason for return

Volume: units; Value: million escudos				
By Drawee institution	2010		2011	
	Volume	Value	Volume	Value
Lack or insufficiency of funds				
Duplicate record	2,601	537.0	2,576	556.4
Various reasons	451	139.5	18	2.2
Lack of key Requirement	203	318.8	323	119.6
Irregular Drawing	83	27.2	158	58.3
Blocked account	81	16.0	63	14.5
Failure to Deliver Check	64	41.3	54	8.2
Incorrectly Indicated Amount	51	11.8	7	0.6
No Check Number	42	12.9	37	13.7
No Account Number	31	13.1	32	2.2
Return at the request of Borrower Bank	28	4.4	18	0.5
Error in Data	26	33.1	27	7.9
Suspended Account	25	6.8	58	5.3
Closed Account	14	0.0	1	1.0
Poor Forwarding	11	1.3	1	0.0
Non-compensable	8	3.0	5	0.2
Check with revoked funds - for just cause	6	3.1	1	0.5
Check without revoked funds - for just cause	6	0.1	0	0.0
Check without revoked funds - presentation after the deadline	4	0.2	0	0.0
Counterfeit check with funds	2	0.6	2	0.2
Check with revoked funds - presentation after the deadline	2	6.7	0	0.0
Counterfeit check without funds	1	2.5	2	0.2
No stamp/presentation reference	1	0.1	0	0.0
By Borrowing Institution	1	0.0	0	0.0
Duplicate record				
Failure to Deliver Check	9	0.8	0	0.0
Return after Deadline	8	0.7	0	0.0
Irregular Endorsement	4	5.1	3	0.0
Poor Forwarding	3	0.4	0	0.0
Default in clearing by Borrower Institution	1	0.1	0	0.0
Invalid reason for return	0	0.0	1	0.1
Motivo de devolução inválido	0	0.0	2	1.0
Total	3,767	1,186.6	3,389	792.7

Source: BCV

The data in Table III.8 shows that, although the vast majority of checks presented for clearing is within the 1 to 30,000 escudos range (2011: 52.4%), the representativeness of the processed value remains at low levels, with only 2.9% of the total.

Checks over 10 million to 500 million escudos account for 0.2% in volume (873 checks) and 26.5% in value (22,242.0 million escudos) of total checks cleared. In other words, they account for a reduced volume of documents, but the overall value is high. This fits into the general principle of defining the limit for large amounts, which must be processed one by one in the gross settlement system.

With respect to returned checks, the 20,001 to 30,000 escudos range had the highest number of returns (839 checks) and the 100,001 to 500,000 escudos range accounted for highest value returned, in the context of a slight decrease in the value of the return rate in relation to the total number of checks presented for clearing (from 1.4% in 2010 to approximately 1% in 2011).

Table III.8 - Checks presented for clearing by value bracket – 2011

		Volume: units; Value: million escudos					
		Presented		Returned		% Change of checks presented	
		Volume	Value	Volume	Value	Volume	Value
1	10,000	91,264	503.5	477	3.4	25.0	0.6
10,001	20,000	61,535	923.8	462	7.5	16.9	1.1
20,001	30,000	38,500	973.0	839	29.7	10.6	1.2
30,001	50,000	45,081	1,797.1	0	0.0	12.4	2.1
50,001	100,000	48,541	3,536.1	540	40.6	13.3	4.2
100,001	500,000	56,696	12,423.8	787	172.9	15.5	14.8
500,001	1,000,000	10,366	7,560.0	139	101.5	2.8	9.0
1,000,001	2,000,000	6,007	8,636.4	79	122.6	1.6	10.3
2,000,001	3,000,000	2,475	6,191.3	32	77.3	0.7	7.4
3,000,001	4,000,000	1,231	4,331.9	12	47.2	0.3	5.2
4,000,001	5,000,000	780	3,597.1	8	55.7	0.2	4.3
5,000,001	10,000,000	1,562	11,063.0	12	85.2	0.4	13.2
10,000,001	20,000,000	558	7,720.5	2	49.0	0.2	9.2
20,000,001	100,000,000	295	11,029.6	0	0.0	0.1	13.2
	> 500,000,000	20	3,491.9	0	0.0	0.01	4.2
Total		364,911	83,779.1	3,389	792.6	100	100

Source: BCV

3.3.2 - Interbank Transfer Clearing

The movement in the interbank transfers subsystem continued to grow in 2011, with 115,669 transactions, valued at 75,949.0 million escudos, which corresponded to an increase of 37.6% in volume and 1.2% in value (Table III.9). In the four months after the Electronic Funds Transfer System became operational (September to December 2011: Text Box 1), there were a total of 51,433 transfers valued at 26,374.4 million escudos. Regarding the number of documents cleared in the SICIL, there were no significant changes in volume (1.9%), although there was a significant growth in terms of value (41.4%).

A comparative analysis between 2010 and 2011 shows that the monthly average fell from 0.9 million escudos per transfer to 0.7 million escudos, despite the positive evolution scenario (Table III.9). The daily average stood at 459 transfers (2010: 336 transfers) valued at 301.4 million escudos (2010: 300.1 million escudos), which equates to a total of 115,669 interbank transfers valued at 75,949 million escudos. Moreover, the evolution of the monthly average resulted in an increase of 37.6% and 1.2% in volume and value, respectively.

Table III.9 - Monthly transfers processed through the clearing system

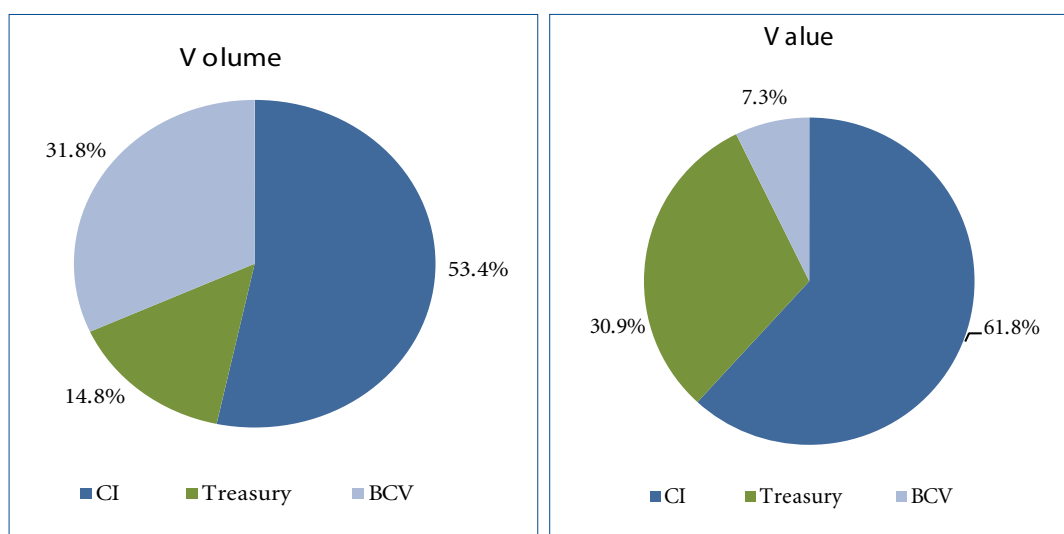
Volume: units; Value: million escudos						
	2010		2011		Change %	
	Volume	Value	Volume	Value	Volume	Value
January	4,064	4,617.9	6,162	5,627.1	51.6	21.9
February	5,256	4,762.0	7,111	6,276.6	35.3	31.8
March	7,080	6,051.7	9,197	6,363.6	29.9	5.2
April	6,959	6,478.3	7,840	5,890.1	12.7	-9.1
May	6,452	6,371.7	8,170	5,970.3	26.6	-6.3
June	6,432	5,578.8	8,956	7,182.7	39.2	28.7
July	7,206	6,893.3	8,057	5,728.6	11.8	-16.9
August	7,400	6,651.0	8,743	6,535.6	18.1	-1.7
September	7,230	5,535.6	11,358	6,317.6	57.1	14.1
October	7,666	6,273.3	12,515	6,333.8	69.9	1.0
November	7,927	7,725.4	13,245	6,380.9	67.1	-17.4
December	10,698	8,085.6	14,315	7,342.1	33.8	-9.2
Total	84,070	75,024.6	115,669	75,949.0	37.6	1.2
Monthly average	7,006	6,252.1	9,639	6,329.1	37.6	1.2

Source: BCV

As regards the evolution of monthly transfers, there was a general increase in the volumes transacted in each month of the year, but in terms of value, six months of 2011 experienced slight decreases over the previous year. The month of December accounted for 14,315 transfers, valued at 7,342.1 million escudos, continuing to lead in terms of both the volume and value processed through the clearing system.

Graph III.7 shows that credit institutions continue to have the most weight both in volume (53%) and in value (61.6%) of transfers presented for clearing per participant, although there was virtually no change over the previous period. Note the continuous and marked increase of BCV's share in terms of volume, going from 18.0% in 2009 to 29.0% in 2010 and 31.8% in 2011. However, in terms of value, the Treasury continues to stand out (30.9%). In fact, as in the previous year, the transfers made by the Treasury show an average of about 1.5 million escudos, which is higher than the average for transfers processed, which fell by 0.2 million escudos per transfer, compared with the value recorded in 2010 (0.9 million escudos).

Graph III.7 - Transfers presented for clearing by participant



Source: BCV

With the distinction of being the only one where the Treasury and Banco de Cabo Verde are represented, the Physical Exchange Center of Praia continues to have a high concentration of documents presented. The distribution of the flow of documents presented in the interbank transfer clearing system by physical exchange centers shows that this Center increased its weight in the system by 1.7% in volume and 1.6% in value compared to 2010. This corresponds to an additional 32,764 transfers processed, valued at 2,117.8 million escudos.

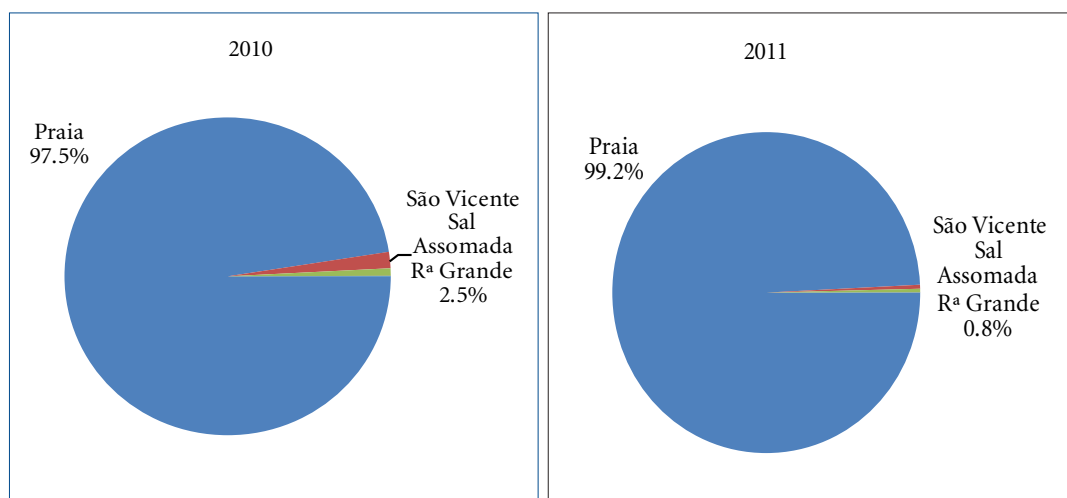
Table III.10 - Interbank Transfers by Physical Exchange Center - 2011

Volume: units; Value: million escudos		
	Volume	Value
Praia	114,763	75,754.6
São Vicente	463	30.2
Sal	414	157.8
Assomada	17	5.0
Ribeira Grande	12	1.4
Total	115,669	75,949.0

Source: BCV

Looking at graphs III.8 and III.9, it appears that, out of five physical exchange centers, 114,763 transfers, valued at 75,754.6 million escudos, were processed in the regional center of Praia, which corresponds to 99.2% of the total volume of documents and 99.7% of the total value. Also noteworthy is the significant increase in volume (about 40%) and value (2.9%) compared to 2010.

**Graph III.8 - Distribution per Physical Exchange Center
Volume**

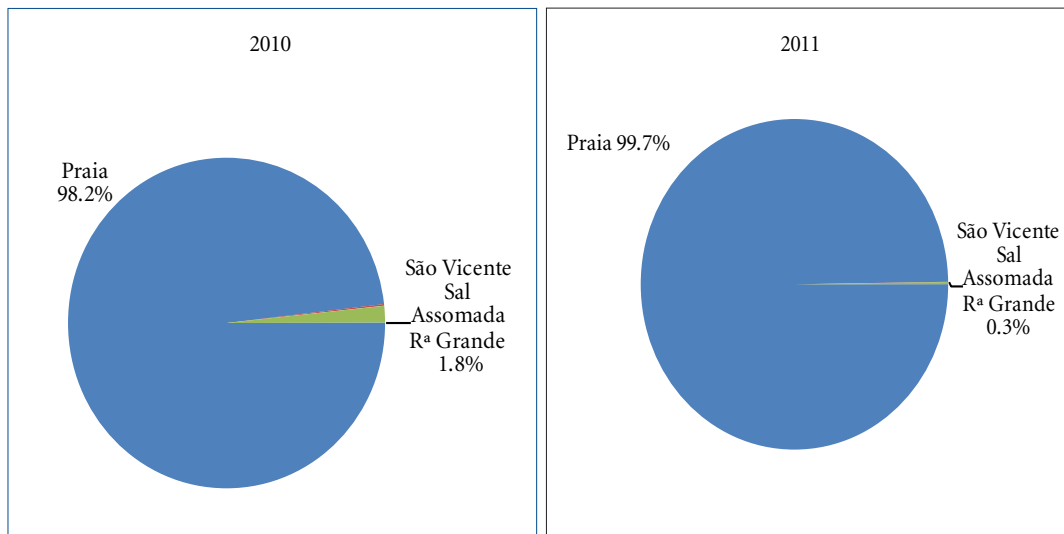


Source: BCV

Altogether, the remaining four physical exchange centers (São Vicente, Sal, Assomada and Ribeira Grande) have an insignificant weight, both in volume and in value, in relation to the total interbank transfers cleared. In addition, compared to the previous year, there was a general reduction in the volumes and values processed.

Like the previous year, among the four islands, São Vicente was the one that had the highest number of transfers (463), but it was in Sal where the highest value (157,8 million escudos) was observed.

**Graph III.9 - Distribution per Physical Exchange Center
Value**



Source: BCV

Box 2

Electronic Funds Transfer System

On September 6, 2011, the electronic interbank transfer clearing system called EFT - Credit (Electronic Funds Transfer) began operating. It includes the Integrated Interbank Clearing and Settlement System, Banco de Cabo Verde as a participant and settlement agent, eight (8) Banks that were previously authorized to participate, the Treasury and, finally, the SISP, as manager of the service and communication network.

This system was implemented to help BCV in providing economic operators efficient, fast and safe payment systems, made possible by the modernization and automation, particularly of retail systems. EFT – Credit thus consists in an automated interbank transfers clearing system, in national currency and payable in the country by any participant.

This new system, which gives its stakeholders the opportunity to issue payment orders for a variety of transactions defined in its Regulation, is characterized primarily by the following aspects:

1. Use of computerized means to transmit information among participants;
2. No handling of paper documents and, therefore, the extinction of physical exchange centers;
3. Existence of a single national financial settlement, regardless of participants' geographic location.
4. Definition of two daily settlement cycles given the need to make urgent payments;
5. Observance of time limits established for information transmission, under penalty of its rejection by the managing entity.

Another feature of the system lies in the possibility of providing statistical information for the purpose of making the following known:

- i. Transfers presented and returned, by participant;
- ii. Transfers presented and returned, by transaction code and clearing cycle;
- iii. The volume and value of transfers, by transaction code;
- iv. The volume and value of records of transfers made and returned, by value bracket;
- v. Transfers presented and returned, by service code and clearing cycle;
- vi. The volume and value of transfers, by service code;
- vii. General information on transfers.

Table III.11 Transfers processed in the EFT system

Volume: units; Value: million escudos				
	Transfers		Returns	
	Volume	Value	Volume	Value
September	9,960	5,661.6	11	0.2
October	12,515	6,333.8	12	4.1
November	13,245	6,380.9	38	5.1
December	14,315	7,342.1	18	30.4
Grand total	50,035	25,718.4	79	39.9
Total 2010	33,221	27,619.9	0	0.0

Source: BCV

From September to December 2011, during which the system was in operation, 50,035 transfers were processed, amounting to 25,718.4 million escudos. The operationalization of the EFT system brings many benefits to the population, among them: i) the possibility of a transfer being ordered on a date and the value becoming available to the beneficiary on the same date, seeing as the system ensures information transmission between participants twice a day; ii) the requirement that returns be made on the same day, which ensures that a normal transfer (non-urgent) is available in the recipient's account within 1 business day; and iii) the possibility to exchange merely informational data among participants (e.g., BIC confirmation requests, return requests, etc..).

3.3.3 - Settlement of Vinti4 Network and Stock Exchange Transactions

The management and operation of the above-mentioned subsystems are provided independently by the SISP and the Cape Verde Stock Exchange. However, due to the need to provide the Vinti4 Network and the Stock Exchange a legal framework, particularly in terms of financial settlement, which is the responsibility of Banco de Cabo Verde, they were incorporated into the SICIL's Regulation.

In 2011, the Vinti4 Network accounted for 91.9% of the volume of transactions processed and settled in the SICIL, equivalent to 5,461,194 movements, thereby confirming the intensification of its use by the population. In terms of value, it accounted for only 11% of total interbank transactions made at ATMs, POS, Televinti4 and Vinti4net (3,462.2 million escudos).

The intensification of the Stock Exchange's Public Offers for Subscription, over the years, has had a direct impact on transactions settled at Banco de Cabo Verde, thereby contributing to the continued growth of the volumes and values processed. However, the 21.3% and 12.9% growths in volume and value, respectively, were not as pronounced as in the previous year (44.9% and 203%). Of this total, 28.3% refers to gross settlements, amounting to 386.2 million escudos. The remaining transactions, including those settled by clearing and the fees in favor of the Stock Exchange, amounted to 71.7% of transactions, valued at 3,076.1 million escudos.

Box 3

Relevant events in 2011

February

Legislative Decree No. 12/2010 comes into force. It amends the legal framework on check use restriction aiming to, firstly, promote people's confidence in checks as a payment instrument and, secondly, adjust the responsibilities of credit institutions to the new challenges imposed by Cape Verde's current socio-economic context.

March

Novo Banco (New Bank) joins the Integrated Interbank Clearing and Settlement System, Check Teleclearing Subsystem – Physical Exchange Center of Praia.

Novo Banco joins the traditional interbank transfers clearing subsystem.

April

Novo Banco, SA becomes a full member and participant in the SWIFT network, which is shared and managed by the Central Bank of Cape Verde.

June

The Technical and Procedural Manuals of the Funds Transfer System – EFT are approved and the SICIL Regulation is updated.

July

Novo Banco joins the Vinti4 Network and, hence, the Network's transaction clearing subsystem.

August

The Private International Bank (IFI) becomes a full member and participant in the SWIFT network, which is shared and managed by the Central Bank of Cape Verde.

Banco de Cabo Verde's Notice No. 2/2011 is published on August 17, establishing the general conditions for opening deposit accounts with credit institutions that are legally authorized to operate in Cape Verde.

September

The Electronic Funds Transfer System starts operating.

BCA, CECV, BI, BCN, BAI, BES, the Treasury and BCV join the EFT Subsystem.

October

Ecobank joins the Teleclearing Subsystem – Physical Exchange Center of Praia.

Novo Banco joins the Electronic Funds Transfer Subsystem.

Ecobank joins the Electronic Funds Transfer Subsystem.

The SWIFT infrastructure is successfully upgraded to the 7.0 version (SWIFTNet Release 7.0.). This migration is mandatory for all institutions using this network, so as to ensure coherence and operational interaction through the SWIFT community as a whole.

Book No. 2 of the Payment System Series on “Opening and Operating Demand Deposit Accounts” is published.

November

Novo Banco joins the Check Teleclearing Subsystem – Physical Exchange Center of Assomada.

The MasterCard acceptance service, which was suspended since the second half of 2010, is reactivated.

Banco de Cabo Verde’s Technical Instructions issued by the Circular Series A, No. 163, of 11/23/2011 are published. They complement the current check without funds model and publish a set of instructions designed to ensure uniform application of legal provisions.

December

Novo Banco joins the Check Teleclearing Subsystem – Physical Exchange Center of Mindelo.

CHAPTER IV
Prospects for Development and Evolution

4. Prospects for Development and Evolution

Economic globalization combined with worldwide technological innovations have led to major changes in the operation of payment systems, particularly in the field of information technology and telecommunications and control of risks associated with the systems.

Accordingly, the work of Banco de Cabo Verde in terms of Cape Verde's Payment System should not differ from that of previous years. It should continue to focus on creating conditions for effective system supervision, based on a strategy that strongly favors cooperation, both at the institutional and operational levels.

At the institutional level, the supervision exercised by Banco de Cabo Verde is expected to be reinforced, including by consolidating its regulatory framework and by adopting legal mechanisms capable of mitigating systemic risk, having in mind the smooth functioning of the domestic payment system.

In the area of operations and infrastructure, understood as the set of payment instruments and different types of technology platforms that support the transfer of funds in central bank money, the work recommended for the coming years will continue to focus on the following fundamental aspects:

- I. Implementation of contingency measures and backup systems to prevent adverse scenarios driven by hardware and software problems inherent in the system from jeopardizing the business continuity plan;
- II. Minimization of the system's operational failures by adopting more detailed operational procedures and more transparent documentation;
- III. Consolidation of the Deposit and Settlement Management System infrastructure, so as to take advantage of its full potential (development of new features, integration with other systems and connectivity with participants);
- IV. Adoption of mechanisms for monitoring and managing risks associated with the SGDL;
- V. Adoption of an evolved communication structure, with developed and integrated security mechanisms, which could improve the protection of content and integrity of information processed in the settlement system;
- VI. Implementation of an interbank check image circulation system, aiming at more efficiency and optimization of the check deposit and collection circuit and, consequently, more reliability and security in the interbank processing of these documents;
- VII. Implementation of an integrated internal monitoring system which covers the clearing and settlement systems, in order to minimize the risks inherent

in payment systems (operational risk, credit risk, liquidity risk and systemic risk);

- VIII. Consolidation of clearing systems by upgrading the systems that are already operating, namely, the Check Teleclearing System and Electronic Funds Transfer System, in order to provide the population with more secure and efficient systems;
- IX. Implementation of a Direct Debit System that allows for periodic payments through an authorization to debit a deposit account and creditor's payment order;
- X. Study of new and innovative solutions in the retail payments market – especially by using the Internet (e-payments) and mobile phones (m-payments) – that are adapted to the Cape Verdean reality, which is intended to be inclusive and universal;
- XI. Increased security of payment transactions, including by establishing a certifying entity for the financial sector and personalized cards with multiple functions (institutionalization of digital signature and creation of the Single Citizen Card);
- XII. Consolidation of the vinti4 network projects aimed at internationalizing the network and engaging in acquiring with other international card systems, besides Visa, thus offering a wider range of services to tourists, emigrants, foreign operators, and the national population in general..

STATISTICAL ANNEX

Table 1 - Checks paid by Credit Institutions

	Volume: units; Value: million escudos			
	2010		2011	
	Volume	Valor	Volume	Valor
Clearinghouse	364,642	83,205.8	364,911	83,779.1
CI Branches	1,494,453	163,598.1	1,378,474	146,152.4
Total	1,859,095	246,803.9	1,743,385	229,931.5

Source: BCV

Table 2 - Payment Instruments

	Volume: units; Value: million escudos					
	2010		2011		Change %	
	Volume	Value	Volume	Value	Volume	Value
Checks	1,859,095	246,803.9	1,743,385.00	229,932.2	-6.2	-6.8
Clearing	364,642	83,205.8	364,911	83,779.8	0.1	0.7
Branch	1,494,453	163,598.1	1,378.474	146,152.4	-7.8	-10.7
Transfers	1,607,511	218,949.4	1,466,948	167,013.9	-8.7	-23.7
Inter-bank	84,070	75,024.61	115,669	75,949.0	37.6	1.2
Intra-bank	1,523,441	143,924.84	1,351,279	91,064.9	-11.3	-36.7
Vinti4 Card	6,170,932	30,393.0	8,068,328	36,942.2	30.7	21.5
Use in ATM	4,439,276	22,228.0	5,438,915	25,187.0	22.5	13.3
Withdrawals	3,906,686	21,616.40	4,469,002	23,988.0	14.4	11.0
Transfers	10,931	354,000,671	16,754	530.6	53.3	49.9
Payment for services	4,343	16,028,565	4,507	246.9	3.8	1.440.5
Purchase of mobile phone minutes	517,316	241.3	948,652	421.5	83.4	74.7
Use in POS	1,731,656	8,165	2,629,413	11,755.3	51.8	44.0
Payments	1,722,251	8,161.10	2,595,290	11,741.0	50.7	43.9
Purchase of mobile phone minutes	9,405,00	4.20	34,123	14.3	-	-
International Card	191,664	2,366	208,280	2,588.2	8.7	9.4
Withdrawals at ATMs	135,117	1,574.40	145,239	1,730.1	7.5	9.9
Payments at POS	56,547	791.4	63,041	858.1	11.5	8.4
Total	9,829,202	498,512.2	11,486,941	436,476.5	16.9	-12.4

Source: BCV, SISP, Credit Institutions

Table 3 - Monthly data on transactions using vinti4 cards

Value: million escudos		
	Withdrawals at ATM	Payments at POS
January	1,607.3	752.0
February	1,683.0	789.8
March	2,057.0	910.8
April	1,964.7	883.8
May	1,932.4	903.5
June	1,973.4	945.9
July	2,102.5	1,005.1
August	2,035.5	1,043.3
September	1,986.1	1,001.8
October	2,034.2	1,012.6
November	1,972.5	1,043.9
December	2,639.3	1,448.6
Total	23,988.0	11,741.0

Source: SISP

Table 4 - Monthly data on transactions using international cards

Volume: units; Value: million escudos				
	Withdrawals at ATM		Payments at POS	
	Volume	Valor	Volume	Valor
January	12,757	151.7	5,692	75.8
February	11,135	136.2	5,336	71.1
March	12,182	147.5	5,526	71.0
April	11,741	141.9	5,684	79.0
May	9,416	111.0	4,086	55.8
June	9,701	109.7	4,302	59.2
July	11,986	142.0	4,862	69.4
August	14,332	171.0	5,324	79.4
September	10,059	114.2	4,011	53.6
October	10,927	127.7	5,056	70.4
November	13,170	156.3	6,389	86.9
December	17,833	220.9	6,773	86.5
Total	145,239.0	1,730.1	63,041	858.1

Source: SISP

Table 5 - Vinti4 cards produced

Volume: units		
	2010	2011
January	5,232	5,372
February	6,124	5,061
March	10,440	6,476
April	26,263	6,222
May	6,082	6,009
June	5,628	6,505
July	5,181	5,531
August	18,004	6,735
September	6,560	6,166
October	5,854	6,587
November	6,028	7,169
December	7,444	7,336
Total	108,840	75,169

* cards produced in the period

Source: SISP

Table 6 – Overall Clearing Movements

Volume: units; Value: million escudos						
	Checks		Returns		Transfers	
	Volume	Value	Volume	Value	Volume	Value
1997	60,171	16,469.5	979	461.5	6,774	17,881.8
1998	72,754	20,570.6	994	200.8	10,053	20,010.9
1999	128,294	28,509.1	1,489	287.9	14,664	24,298.5
2000	153,641	36,395.6	1,911	306.7	14,378	17,634.9
2001	159,638	39,196.3	1,447	238.6	15,300	16,625.9
2002	184,386	47,340.4	1,557	254.0	16,856	20,071.7
2003	194,512	47,762.4	1,652	216.9	17,829	22,157.0
2004	190,293	37,143.9	1,822	360.1	25,398	33,877.0
2005	222,220	46,204.5	1,876	377.2	30,630	41,618.6
2006	253,410	57,217.7	1,813	409.6	33,579	48,034.7
2007	308,953	72,507.4	2,032	453.3	39,849	61,611.9
2008	342,909	96,297.2	3,759	10,220.4	45,994	65,176.6
2009	357,920	85,223.9	3,624	1,204.4	57,797	63,099.5
2010	364,642	83,205.8	3,767	1,185.5	84,070	75,024.6
2011	364,911	83,779.8	3,389	792.7	115,669	75,949.0

Source: BCV

Table 7 – Clearing by type of document presented

Volume: units; Value: million escudos						
	2010		2011		Change %	
	Volume	Value	Volume	Value	Volume	Value
Checks	364,642	83,205.8	364,911	83,779.8	0.1	0.7
Transfers	84,070	75,024.6	115,669	75,949.0	37.6	1.2
Returns	3,767	1,185.5	3,389	792.7	-10.0	-33.1
Total	452,479	159,415.9	483,969	160,521.5	7.0	0.7

Source: BCV

Table 8 - Checks presented and returned in Clearing

Volume: units; Value: million escudos								
	Presented				Returned			
	Truncated		Non-Truncated		Truncated		Non-Truncated	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
January								
February	12,813	159.3	15,463	6,624.3	121	1.6	185	55.0
March	14,102	176.7	14,817	5,983.5	71	1.0	128	55.9
April	15,942	198.8	16,614	6,892.2	104	1.4	173	54.7
May	14,367	180.9	15,343	6,142.7	88	1.3	164	76.1
June	15,917	200.4	15,812	6,503.9	112	1.7	133	44.6
July	14,582	186.0	16,189	7,951.4	123	1.9	195	96.4
August	13,838	176.5	15,862	6,379.7	117	1.7	218	72.9
September	15,170	196.1	16,855	6,952.2	111	2.0	237	39.7
October	14,113	182.6	16,224	7,060.9	95	1.6	180	84.8
November	14,226	181.7	16,189	7,289.3	93	1.5	161	53.4
December	14,938	192.3	17,259	7,184.8	103	1.7	171	84.9
Total	12,813	159.3	15,463	6,624.3	121	1.6	185	55.0
Monthly average	172,821	2,190.5	192,090	81,589.3	1,259	19.2	2,130	773.5
Média mensal	14,402	182.5	16,008	6,799.1	105	1.6	178	64.5

Source: BCV