



PAYMENT SERVICES AND PAYMENT SYSTEMS



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5.1 PAYMENT SERVICES

Národná banka Slovenska has an indispensable role in the functioning of payment systems and securities settlement systems. As well as operating and participating in payment systems, NBS contributes to the adoption and implementation of rules and standards for them.

Together with the Ministry of Finance of the Slovak Republic, the central bank also submits legislative drafts to the Government on matters concerning payment systems and the provision of payment services.

The statutory law governing payment services and payment systems is laid down mainly in Act No 492/2009 Coll. on payment services and on amendments to certain laws (hereinafter “the Payment Services Act”), which transposes into Slovak law Directive 2007/64/EC of the European Parliament and of the Council on payment services in the internal market.³⁵

In 2011 the Payment Services Act was amended by a law that transposed Directive 2009/44/EC of the European Parliament and of the Council of 6 May 2009 amending Directive 98/26/EC on settlement finality in payment and securities settlement systems and Directive 2002/47/EC on financial collateral arrangements. This amendment defined the concept of “interoperability between payment systems”.

Slovak law in the area of payment services includes Decree No 8/2009 of Národná banka Slovenska (laying down the structure of a domestic bank account number, the structure of an international bank account number, and details concerning the issuance of a converter of bank identifier codes) and the following Regulations of the European Parliament and of the Council:

- Regulation (EC) No 924/2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001; and
- Regulation (EC) No 1781/2006 on information on the payer accompanying transfers of funds.

In 2011 Národná banka Slovenska approved the proposal of the Slovak Banking Association (SBA) not to pay any contribution for that year to the operation of the SBA’s Permanent Court of Arbitration (established under the Payment Services Act for the out-of-court settlement of disputes), having regard to the Court’s financial results and to the sufficiency of funding for the activities of the Court’s Chamber for the Arbitration of Disputes Related to the Provision of Payment Services.

5.2 PAYMENT SYSTEMS OF THE SLOVAK REPUBLIC

5.2.1 TARGET2 AND TARGET2-SK

On the date that it joined the euro area, 1 January 2009, Slovakia also became connected to the TARGET2 payment system and Národná banka Slovenska started operating its component of this system, the TARGET2-SK system. In its third year of operation, the TARGET2-SK system continued to function successfully and smoothly. Neither the system’s operator, Národná banka Slovenska, nor its participants, recorded any serious incidents such that would pose a risk to the smooth processing of payments or disrupt the system’s operation.

Apart from being responsible for the system’s daily operation, for providing its participants with advice and business support, and for carrying out regular testing of recovery procedures, Národná banka Slovenska is involved in coordinating the development, modification, testing, and implementation of software releases for the Single Shared Platform (SSP) that forms the technical basis of the TARGET2 system. Each new software release brings improved functionalities and modifications to the SSP (all of which are approved by the Eurosystem in response to the requirements of the system’s users), and they also rectify any deficiencies identified in the previous version.

During 2011 Národná banka Slovenska continued to organise periodic working meetings with representatives of the TARGET2-SK

³⁵ Act No 429/2009 Coll. repealed Act No 510/2002 Coll. on the payment system as amended.



system's participants. These meetings are opportunities to discuss proposed and planned changes to the TARGET2 system, to coordinate testing of new SSP software releases with participants, to evaluate the day-to-day operation of the system, and for NBS to inform the system's participants about any other relevant information.

In November 2011 Národná banka Slovenska issued Decision No 7/2011 amending NBS Decision No 3/2010 on conditions for participation in TARGET2-SK. Thus the implementation in Slovakia of Guideline No ECB/2011/15 of the European Central Bank was duly completed.

5.2.2 PAYMENTS EXECUTED VIA TARGET2-SK

By the end of 2011 TARGET2-SK had 35 participants, comprising 32 direct participants (including Národná banka Slovenska) and three ancillary systems – the EURO SIPS system, the Central Securities Depository of the Slovak Republic (CDCP), and the joint-stock company First Data Slovakia). The number of direct participants increased by two in 2011.

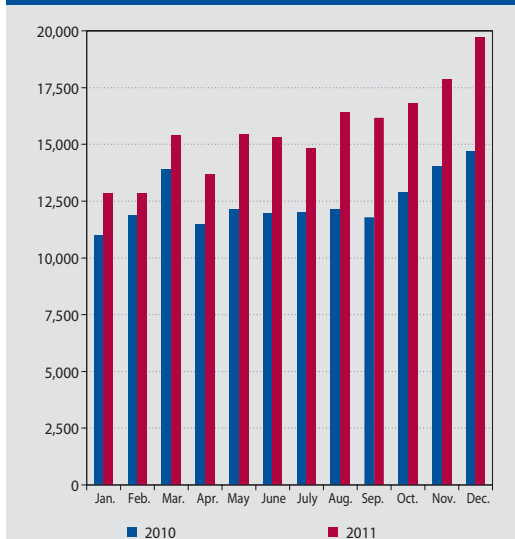
In 2011 the TARGET2-SK system processed 187 thousand transactions with a total value of more than €705.9 billion. Compared to the previous year, the number of transactions increased by 25% (or 37 thousand) and the value

of transactions rose by almost 3.46% (€23.6 billion). Charts 23 and 24 show, respectively, the volume and value of transactions processed in the TARGET2-SK system in each month of 2011, and they compare this traffic with traffic in the previous year.

The TARGET2-SK system had 257 operating days in 2011. The total number of transactions averaged 729 per day and their total value averaged €2,746 million per day. Looking at the payment traffic in 2011 broken down into customer and interbank transactions, customer payments have the higher share by number (59:41) while interbank payments have the overwhelmingly larger share by value (4:96).

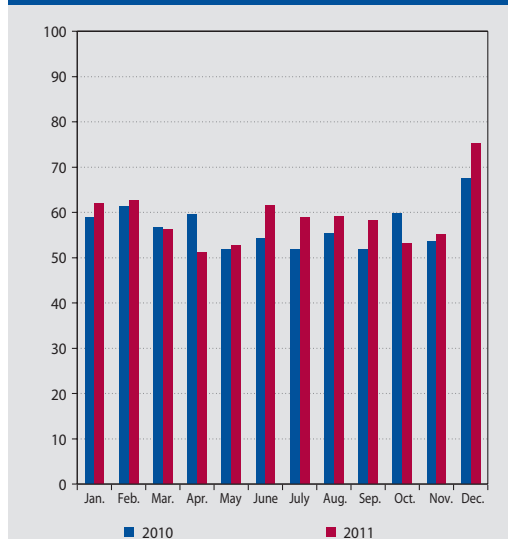
At present 24 central banks of the European Union and their respective user communities are connected to TARGET2. The most recent addition was the Romanian central bank, Banca Națională a României, with its banking community, which became connected in July 2011. Looking at the total volume of payments made by TARGET2-SK participants in 2011, 34% of them were domestic transactions and 66% were cross-border transactions. In terms of value, however, domestic payments account for the highest share (62:38). Chart 25 shows the breakdown of payments made by TARGET2-SK participants.

Chart 23 Number of transactions processed in TARGET2-SK



Source: NBS.

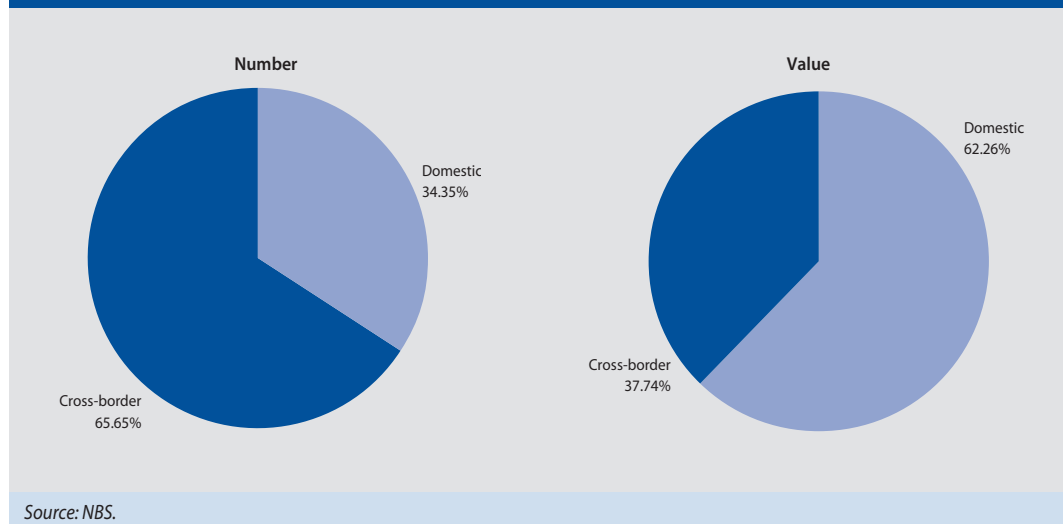
Chart 24 Value of transactions processed in TARGET2-SK in 2010 and 2011 (EUR billions)



Source: NBS.



Chart 25 Structure of payments made by TARGET2-SK participants in 2011



5.2.3 THE EURO SIPS PAYMENT SYSTEM

EURO SIPS is a retail payment system for the processing and clearing of customer payments in euro. Cash payments in this ancillary system are processed in clearing cycles, and the results are settled in TARGET2-SK.

Since 1 January 2009, interbank transactions have been processed and settled exclusively in TARGET2-SK.

In connection with the implementation of SEPA payment instruments in Slovakia, the EURO SIPS system will be made compatible with the Single European Payment Area (SEPA). The modification of EURO SIPS will be carried out in accordance with a strategy approved by the NBS Bank Board, being a part of the SEPA implementation plan.

5.2.4 PAYMENTS EXECUTED VIA EURO SIPS

The number of participants in the EURO SIPS system increased from 30 at the beginning of 2011 to 32 by the end of the year. A total of 171,070 thousand transactions were processed in EURO SIPS in 2011, which represented an annual increase of 5.08% (in line with the upward trend of recent years). The overall value of these transactions also maintained its growth curve, rising by 7.38% year-on-year to €176,738 million.

Charts 26 and 27 show the number and value of transactions processed in the EURO SIPS system

in each month of 2011 and in comparison with 2010.

5.2.5 PAYMENT CARDS

The number of bank payment cards in circulation increased by almost 7% in 2011, to 5.35 million, of which debit cards accounted for 4.52 million, credit cards for 0.82 million, and prepaid cards for the rest (less than 10,000).

By the end of 2011, the number of ATMs terminals had increased by 1.7% to 2,404 and that of POS terminals by 1.4% to 37,978 in comparison with the previous year.

5.3 COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS IN THE FIELD OF PAYMENT SYSTEMS

ASSESSMENT OF CDCP AS A SECURITIES SETTLEMENT SYSTEM

In December 2008 the ECB Governing Council approved a report involving the assessment of the Central Securities Depository of the Slovak Republic (CDCP) against the Eurosystem's *Standards for the use of EU securities settlement systems in ESCB credit operations*. CDCP was judged to be "compliant" with the Standards and was included in the list of security settlement systems (SSSs) eligible for use in the collateralisation of Eurosystem credit operations. This assessment was conducted separately from assessments of other SSSs, following the adoption of the euro in Slovakia.



Chart 26 Number of transactions executed in EURO SIPS in 2010 and 2011 (millions)

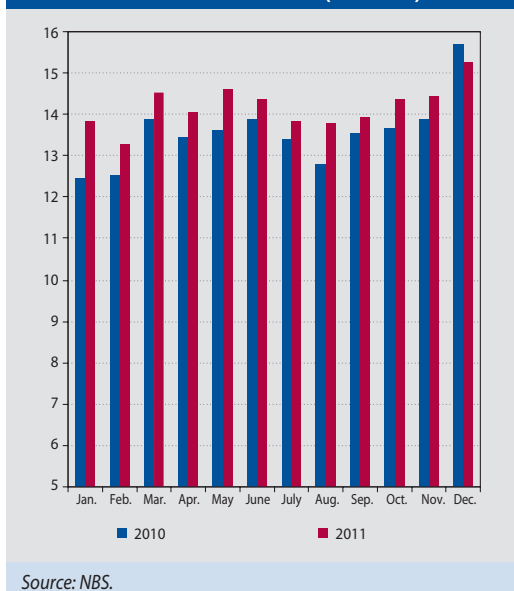
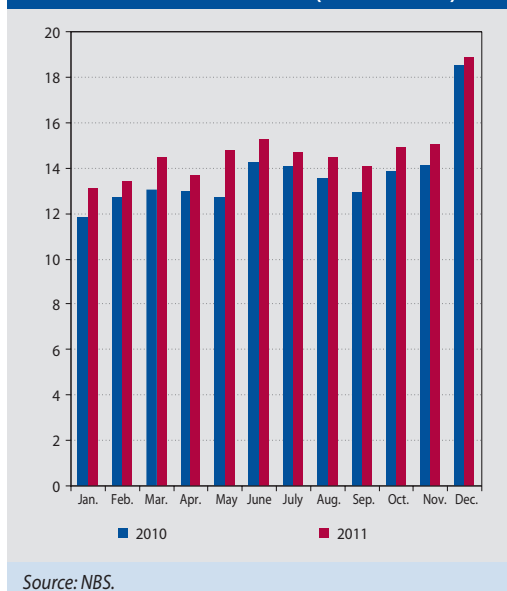


Chart 27 Value of transactions executed in EUR SIPS in 2010 and 2011 (EUR billions)



A second comprehensive assessment of SSSs (including CDCP) used in Eurosystem operations was launched in 2011. Such assessments, which are carried out at approximately two-year intervals, cover all SSSs and their links in the euro area. In this process, Národná banka Slovenska acts both as the coordinator, and as the first assessor of CDCP (as the domestic SSS). Banca d'Italia has been appointed as the second assessor of CDCP. Under the requirements for pure review, NBS itself is the second assessor for the Maltese SSS, MaltaClear. In 2012 the final report will be completed, recommendations will be issued, and the implementation of these recommendations will be monitored.

An ad hoc assessment of newly-established links and SSSs was launched towards the end of 2011. In this assessment, NBS has the role of the second assessor for one direct link and two relayed links. The final assessment report and recommendation are due to be submitted to the ECB Governing Council in mid-2012, and the implementation of the recommendations to be monitored during the second half of the year.

THE SINGLE EUROPEAN PAYMENTS AREA (SEPA) – THE ECB AND EUROPEAN PAYMENTS COUNCIL

The SEPA project represents another step towards establishing an integrated European payment services market, by ending the differen-

tiation between the national and cross-border payments. Within the SEPA area, it will be possible to make non-cash euro payments from one country to a beneficiary in another country using a single bank account and a single set of payment instruments, just as easily and securely as domestic payments are made today.

In 2011 the ECB began publishing statistical data on the new Europe-wide non-cash payment instruments. By the end of the year, according to this information, SEPA credit transfers accounted for 22.66% of total credit transfers in the euro area and SEPA direct debits for 0.16% of total direct debits.

At its plenary meeting in September 2011, the European Payments Council approved new releases of SEPA Direct Debit Rulebooks, namely the SEPA Core Direct Debit Scheme Rulebook (version 6.0) and the SEPA Business-to-Business (B2B) Direct Debit Scheme Rulebook (version 4.0), which were subsequently published on the internet. A new version (6.0) of the SEPA Credit Transfer Scheme Rulebook was also published. These new rulebooks will enter into force on 17 November 2012. The SEPA Cards Framework was last updated at the end of December 2009 with the release of version 2.1. As for the SEPA Cards Standardisation Volume – Book of Requirements, a new version (5.5) was published by the EPC in May 2011.



The most pressing issue addressed in 2011 in relation to the SEPA project was the setting of end-dates for migration from the existing domestic payment instrument schemes to the new SEPA direct debits (SDD) and credit transfers (SCT). A proposal for an EU regulation³⁶ was published on 16 December 2011, and the regulation is due to be approved and published in the Official Journal of the EU in the first half of 2012. The new regulation establishes 1 February 2014 as an end-date for migration to SEPA credit transfers and direct debits.

THE EUROSISTEM, TARGET2-SECURITIES

Work on the TARGET2-Securities (T2S) project continued in 2011. In this regard, the ECB Governing Council took decisions concerning the overall management and control of the T2S programme, contractual issues, and the future operation of T2S.

In April 2011 the Governing Council approved a decision on the selection process for T2S Network Providers, and in July it noted the rescheduling of the T2S project.

In November, the Governing Council endorsed the T2S Framework Agreement³⁷, which is now available at the ECB website and will be conveyed to central securities depositories (CSDs) for signing in 2012. At the same time, it adopted finan-

cial incentives for early signatories (CSD joining in April 2012 or in June 2012). Before signing the Framework Agreement, a central securities depository must meet the eligibility criteria for access to T2S, the details of which are laid down in an ECB Decision approved by the Governing Council in November 2011.

The Governing Council took note of a new plan, the adoption of which is expected at the beginning of 2012. The Governing Council also approved a new version of the User Requirements Document (5.01) as well as the use of CoreNet as provider of the dedicated link solution.

The selection process for network providers continued in 2011, managed by Banca d'Italia on behalf of the Eurosystem. The process is scheduled to be finalized in January 2012 by signing of Licence Agreements with two network providers.

Further discussions were held with representatives of non-euro central banks that are interested in allowing their currency to be settled in T2S. New versions of the T2S documentation were published on the ECB website³⁸, mostly concerning user requirements, functional specifications and descriptions of business processes. Further details about the T2S project are available at the ECB website.

³⁶ Regulation of the European Parliament and of the Council establishing technical and business requirements for credit transfers and direct debits in euros and amending Regulation (EC) No 924/2009.

³⁷ http://www.ecb.int/paym/t2s/pdf/csd_FA/T2S_Framework_Agreement_Schedules.pdf?49d67c562e82f8a2e34b3991000e5f20

³⁸ <http://www.ecb.int/paym/t2s/about/keydocs/html/index.en.html>