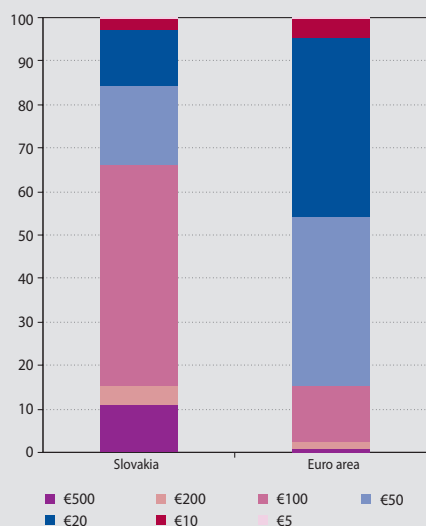




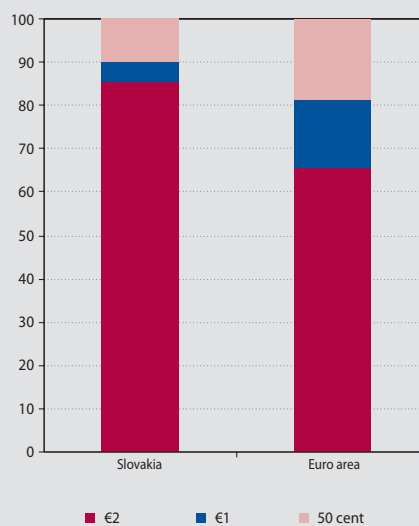
Chart 20 Counterfeit euro banknotes recovered in 2013 in Slovakia and in the euro area as a whole (%)



Source: NBS.

Note: Chart presents counterfeit euro banknotes recovered from circulation.

Chart 21 Counterfeit euro coins recovered in 2013 in Slovakia and in the euro area as a whole (%)



Source: NBS.

Note: Chart presents counterfeit euro coins recovered from circulation.

in the euro area as a whole in 2013. In Slovakia, euro counterfeits make up a very low proportion of the currency in circulation and therefore the probability of a natural or legal person coming into contact with a counterfeit euro banknote or coin is very small.

SLOVAK KORUNA COUNTERFEITS

Following the introduction of the euro into cash circulation, the number of Slovak koruna counterfeits fell sharply. Only 19 Slovak koruna counterfeits were recovered in 2013. Although the period in which Slovak koruna banknotes may

be exchanged for euro is indefinite, further incidence of koruna counterfeits is expected to be only sporadic.

COUNTERFEITS OF OTHER FOREIGN CURRENCY

US dollar counterfeits recovered in Slovakia totalled 44 in 2013, slightly more than in 2012. As in 2012 the \$100 dollar banknote was the most counterfeited denomination, accounting for 93% of the recovered counterfeits. The number of counterfeits of other foreign currencies fell slightly, to 23, including 16 British pound counterfeits.

4 PAYMENT SERVICES AND PAYMENT SYSTEMS

4.1 PAYMENT SERVICES

One of the main tasks of Národná banka Slovenska is to provide for the smooth and efficient functioning of payment systems. Payment services and payment systems in Slovakia are governed mainly by Act No 492/2009 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.

Slovak law in the area of payment services also includes Decree No 8/2009 of Národná banka Slovenska (laying down the structure of domestic and international bank account



numbers and details about the issuance of an identifier code converter) 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;
- Regulation (EC) No 1781/2006 on information on the payer accompanying transfers of funds; and
- Regulation (EU) No 260/2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009.

In 2012 Národná banka Slovenska approved the proposal of the Slovak Banking Association (SBA) that the SBA should not 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 the existence of sufficient funding for the activities of the Court's Chamber for the Arbitration of Disputes Related to Payment Services.

4.2 PAYMENT SYSTEMS OF THE SLOVAK REPUBLIC

4.2.1 TARGET2 AND TARGET2-SK

Národná banka Slovenska operates the TARGET2 component system TARGET2-SK. In 2013 the system functioned well and without problems. During the year TARGET2 did not record any serious incidents such that would jeopardise the system and its users or disrupt the system's smooth processing of payments or operation.

Besides overseeing the TARGET2-SK's daily operation, providing its participants with advice and support, and performing 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 infrastructure of the TARGET2 system. New software releases, approved by the Eurosystem in response to the requirements of system users, bring enhanced functionalities and modifications to the SSP.

NBS organises regular working meetings with representatives of TARGET2-SK participants. These meetings provide opportunities to discuss proposed and planned changes in TARGET2, to evaluate the day-to-day operation of the system, to coordinate testing of new SSP software releases with participants, and to communicate any other relevant information.

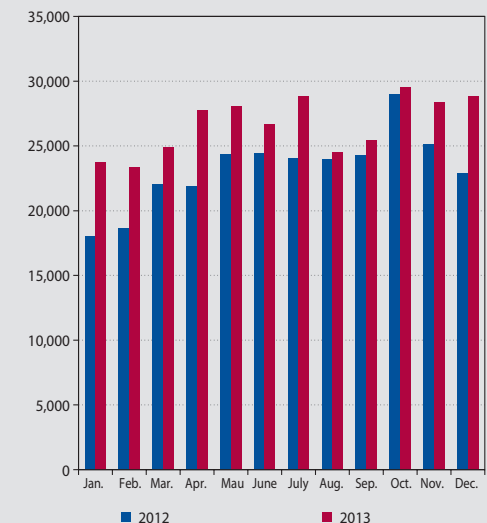
In 2013 the European Central Bank adopted Guideline ECB/2013/37 amending Guideline ECB/2012/27 on TARGET2. This guideline did not affect NBS Decision No 3/2010 on conditions of participation in TARGET2-SK or NBS Decision No 4/2010 on ancillary system settlement procedures in TARGET2-SK.

4.2.2 PAYMENTS EXECUTED VIA TARGET2-SK

By the end of 2013 TARGET2-SK had 32 participants, comprising 29 direct participants and three ancillary systems (SIPS, the Central Securities Depository of the Slovak Republic, and the company First Data Slovakia, s.r.o.).³⁷ The number of direct participants fell by one in 2013.

In 2013 TARGET2-SK processed almost 320,000 transactions with a total value of over €630 billion. In comparison with 2012, TARGET2-SK traffic increased in volume by 14.7% (or 41,000 transactions) and in value by 25% (€210 billion). Charts

Chart 22 Number of transactions processed in TARGET2-SK in 2012 and 2013 (millions)

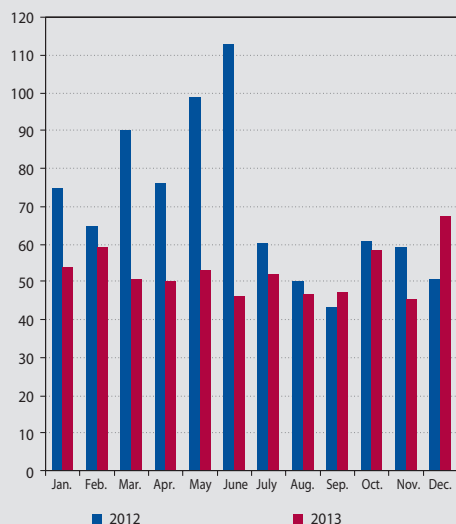


Source: NBS.

³⁷ The list of TARGET2-SK participants is published at: <http://www.nbs.sk/en/payment-systems/target2/list-of-target2-sk-participants>



Chart 23 Value of transactions processed in TARGET2-SK in 2012 and 2013 (EUR billions)



Source: NBS.

22 and 23 show, respectively, the number and value of transactions processed in TARGET2-SK in each month of 2013 and 2012.

TARGET2-SK had 255 operating days in 2013, and its average daily traffic by volume and value was 1,255 transactions and almost €2,469 million.

Looking at the payment traffic in 2013 broken down into customer and interbank transac-

tions, customer payments have the higher share by number (78:22) while interbank payments have the overwhelmingly larger share by value (8:92).

As at the end of 2013 there were 24 central banks of EU Member States connected to TARGET2. Looking at the number of outgoing payments executed by TARGET2-SK participants in 2013, 21.34% were domestic, 69.90% were cross-border within the EU and almost 8.76% were cross-border outside the EU. In terms of value, however, domestic payments account for the highest share (55:45). Chart 24 shows the breakdown of outgoing payments executed via TARGET2-SK in 2013.

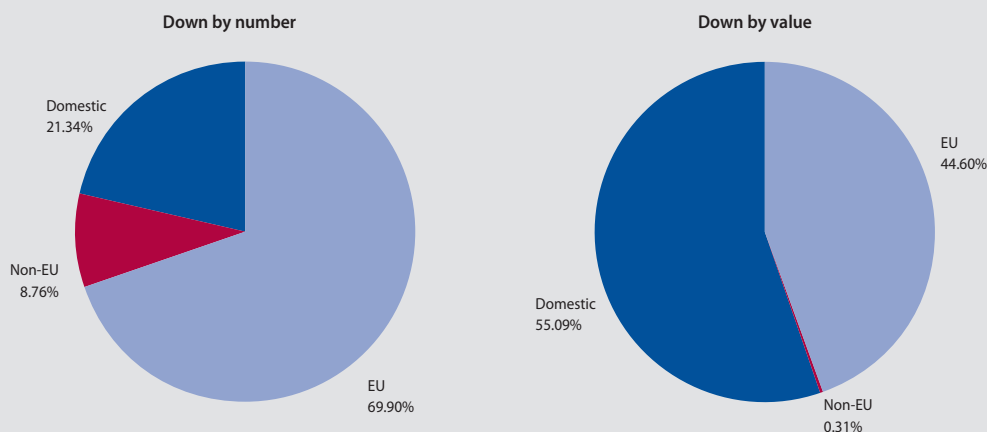
4.2.3 THE SIPS PAYMENT SYSTEM

The Slovak Interbank Payment System (SIPS) serves mainly for the processing and clearing of domestic retail payments. In line with the objectives of SEPA implementation, as incorporated in the SEPA Implementation Plan adopted by the Bank Board of Národná banka Slovenska, SIPS underwent further significant developments during 2013.

Since 4 November 2013, SIPS has been:

- using only the international XML message format;
- processing SEPA credit transfers and SEPA direct debits;

Chart 24 Outgoing TARGET2-SK payments in 2013 broken down by number



Source: NBS.



- connected to the STEP2 pan-European cross-boarder clearing house, which provides processing of both domestic and cross-border SEPA credit transfers and SEPA direct debits throughout the European Economic Area.

Migration to the new version of SIPS took place gradually through several key steps:

- migration from the domestic format of payment instruction to the international XML format;
- introduction of SEPA credit transfers in the domestic payment system from 1 December 2012;
- extending the functionality of SIPS from 4 November 2013 to cover SEPA direct debits and ensure interoperability with STEP2.

Migration to the new version of SIPS went smoothly, with neither participants nor NBS experiencing any problems.

From 1 September 2013, as part of the process of implementing SEPA direct debits, NBS took over from the Slovak Banking Association the task of maintaining the Register of Creditor Identifiers (the CID Register).

SIPS processes and clears payments in clearing cycles with all payments executed in euro. The

resulting cash positions in this ancillary system are settled by TARGET2-SK.

4.2.4 PAYMENTS EXECUTED VIA SIPS

The number of active participants in the SIPS retail payment system declined from 29 at the beginning of 2013 to 28 at the year end.³⁸

In 2013 SIPS processed 191,181,000 transactions with a total value of €178,381 million. While the number of transactions increased by 6% over the previous year, their total value rose by only a few thousandths of a percent. In both cases, the year-on-year change was similar to that in 2012 (5.43% and less than one percent, respectively) and in line with the trend of previous years.

Charts 25 and 26 show the number and value of transactions that SIPS processed in each month of 2012 and 2013.

4.2.5 PAYMENT CARDS

In 2013 the number of payment cards in circulation increased by 4.4% year-on-year, to 4.79 million. The number of contactless cards increased by 78% and by the year-end accounted for 45% (2.15 million) of all payment cards, while the number of contactless transactions surged from 2.8 million in 2012 to 21 million in 2013.

Chart 25 Number of transactions executed via SIPS in 2012 and 2013 (millions)



Source: NBS.

Chart 26 Value of transactions executed via SIPS in 2012 and 2013 (EUR billions)



Source: NBS.

³⁸ The list of SIPS participants is published at: <http://www.nbs.sk/en/payment-systems/sips>

³⁹ Source: Slovak Banking Association.



The number of ATMs and point-of-sale (POS) terminals in Slovakia increased in 2013 by 81 and 3,554 respectively (to 2,590 and 41,039).³⁹

4.3 COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS IN THE PAYMENT SYSTEMS FIELD

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

The Eurosystem, of which Národná banka Slovenska is a member, has been supporting the implementation of SEPA since 2002 in order to ensure that Europe has a competitive and innovative payment services market. In 2013 the Eurosystem continued to monitor migration towards SEPA credit transfers and SEPA direct debits. Národná banka Slovenska was involved in the related coordination and communication activities.

The European Central Bank published two SEPA migration reports in 2013, describing how the migration process was progressing in the euro area. In this regard, Slovakia was bracketed among the best prepared euro area countries. As operator of the SIPS payment system, Národná banka Slovenska ensured that SIPS was connected to the international STEP2 system as from 4 November 2013 and was therefore able to process cross-border SEPA credit transfers and SEPA direct debits.

In 2013 the migration to SEPA payment instruments (SEPA credit transfers and SEPA direct debits) was a key issue in the euro area. By the end of 2013, according to ECB figures, SEPA credit transfers and SEPA direct debits as a share of all credit transfers and direct debits in the euro area stood at 73.8% and 41% respectively.

The European Payment Council (EPC) is the decision-making and coordination body of the European banking industry in relation to payment services. The EPC, which periodically updates the rules for SEPA payment instruments, decided in 2013 to postpone the effective date for the latest versions of the SEPA Rulebooks⁴⁰ from 16 November 2013 to 1 February 2014, in order that market participants could adapt their systems

and processes to comply with Regulation (EU) No 260/2012.

As regards payment card requirements, in June 2013 the EPC published version 6.5 of the SEPA Cards Standardisation Volume. The most recent update of the SEPA Cards Framework is version 2.1 of December 2009.

ASSESSMENT OF SECURITIES SETTLEMENT SYSTEMS (SSSs) AND THEIR LINKS

In 2013 new links between securities settlement systems were assessed against the “Standards for the use of EU securities settlement systems in ESCB credit operations”, as is required for each new link. Národná banka Slovenska acted as second assessor for the direct link between Clearstream Banking S.A. and Centrálny depozitár cenných papierov SR, a.s. (CDCP) and for two relayed links, from LuxCSD via Clearstream Banking S.A. to Oesterreichische Nationalbank and from Clearstream Banking AG – Creation via Clearstream Banking S.A. to CDCP. In 2014 the final report will be completed and recommendations will be sent.

THE EUROSYSTEM – TARGET2-SECURITIES

The Eurosystem continued development work on the securities settlement platform TARGET2-Securities (T2S).⁴¹ The ECB Governing Council took decisions on several matters that support the T2S preparations in line with the T2S Programme Plan. The Eurosystem began training future T2S users through programme entitled “train the trainer”. In 2013 a further two depositories signed the T2S Framework Agreement with the Eurosystem, namely BNY Mellon and the Latvian depository.

Meetings between NBS and Slovakia’s T2S National User Group (NUG-SK) were held at the central bank during 2013.⁴² NUG-SK members also provided feedback within the Eurosystem’s T2S consultation process, which aims to obtain the views of national markets on T2S issues as well as information on national practices in post-trade services, so as to maximise harmonisation in T2S. Market representatives continue to implement harmonised standards into national practices so as to ensure the harmonisation of T2S settlement processes.

⁴⁰ The SEPA Credit Transfer (SCT) Rulebook version 7.0, the SEPA Direct Debit (SDD) Core Rulebook version 7.0, and the SDD Business to Business (B2B) Rulebook version 5.0.

⁴¹ Further details about the T2S project are available in English on the ECB website at: <http://www.ecb.europa.eu/paym/t2s/html/index.en.html>

⁴² The meeting agendas and issues addressed are published on the NBS website at: <http://www.nbs.sk/sk/platobne-systemy/target2-securities/nug-sk>