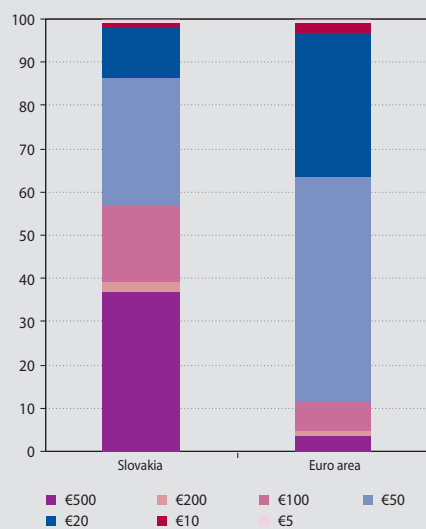


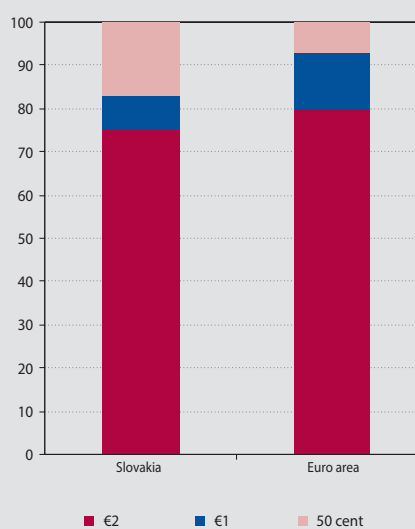


Chart 27 Counterfeit euro banknotes recovered in 2014 in Slovakia and in the euro area as a whole (%)



Source: NBS.

Chart 28 Counterfeit euro coins recovered in 2014 in Slovakia and in the euro area as a whole (%)



Source: NBS.

ceiving a counterfeit euro banknote or coin in Slovakia is very low.

SLOVAK KORUNA COUNTERFEITS

Following the introduction of the euro into cash circulation, the number of Slovak koruna counterfeits fell sharply. Only 21 Slovak koruna counterfeits were recovered in 2014. Although the period in which Slovak koruna banknotes can be exchanged for the euro is indefinite, further incidence of koruna counterfeits is expected to be only sporadic.

COUNTERFEITS OF OTHER FOREIGN CURRENCY

Compared to 2013, the number of US dollar counterfeits recovered in Slovakia was higher in 2014, totalling 93. As in 2013 the \$100 dollar banknote was the most counterfeited denomination, accounting for 95.7 % of the total. The number of counterfeits of other foreign currencies also increased, to 121, including 60 Czech koruna and 41 British pound counterfeits.

4 PAYMENT SERVICES AND PAYMENT SYSTEMS

4.1 PAYMENT SERVICES

The principal legal regulation governing payment services and payment systems in Slovakia is 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 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; as well as 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.

In 2014 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), in view of 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

Since Slovakia joined the euro area in 2009, Národná banka Slovenska has operated the TARGET2 component system known as TARGET2-SK (T2-SK). In 2014 the system functioned well and without problems. During the year T2-SK did not record any serious incidents such that would jeopardise the system and its participants or disrupt the system's smooth processing of payments or operation.

Besides the daily operation of T2-SK, 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 TARGET2. New software releases, approved by the Eurosystem in response to the requirements of the system's users, bring enhanced functionalities and modifications to the SSP and also rectify any deficiencies identified in the previous version.

NBS organised regular working meetings with representatives of the T2-SK participants. These meetings provide opportunities to discuss proposed and planned changes in TARGET2, to coordinate the testing of new SSP software releases with participants, to evaluate the day-to-day operation of the system, and to communicate any other relevant information.

In 2014 the European Central Bank (ECB) adopted Guideline ECB/2012/27 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (ECB/2014/25). On this basis Národná banka Slovenska adopted and published Decision No 3/2014 of NBS amending Decision No 3/2010 on conditions for participation in TARGET2-SK, as amended.

4.2.2 PAYMENTS EXECUTED VIA TARGET2-SK

By the end of 2014 T2-SK had 33 participants, comprising 30 direct participants (one more than at end-2013) and three ancillary systems, namely: the Slovak Interbank Payment System (SIPS), Slovakia's central securities depository – Centrálny depozitár cenných papierov (CDCP), and the company First Data Slovakia, s.r.o.

In 2014 T2-SK processed almost 256,000 transactions with a total value of over €667 billion. In comparison with 2013, T2-SK traffic decreased in volume by 20% (or 64,000 transactions) and increased in value by 5.7% (€37.6 billion). Charts 29 and 30 show, respectively, the number and value of transactions processed in T2-SK in each month of 2013 and 2014.

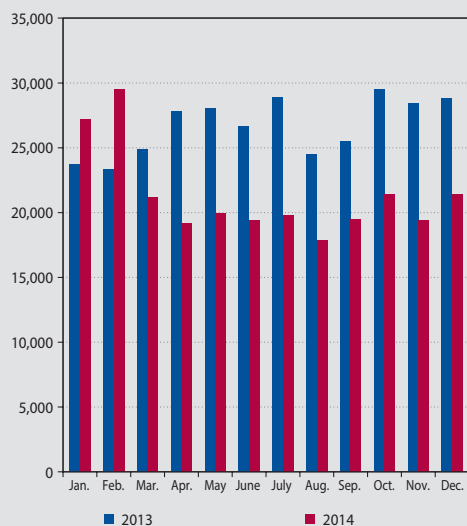
T2-SK had 255 operating days in 2014, and its average daily traffic by volume and value was 1,004 transactions and almost €2,619 million.

Looking at the payment traffic in 2014 broken down into customer and interbank transactions, customer payments had the higher share by number (73:27), while interbank payments predominated in terms of value (7:93).

At the end of 2014 there were 24 EU central banks connected to TARGET2. As regards the number

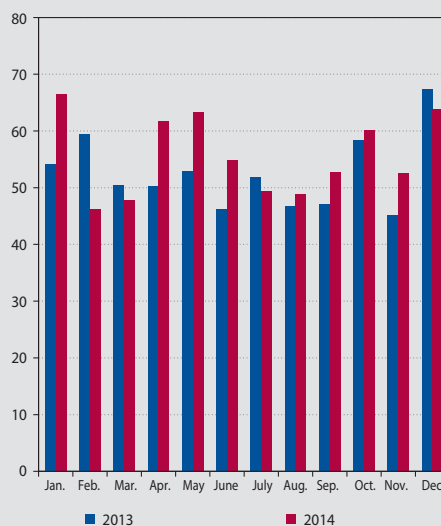


Chart 29 Number of transactions processed in TARGET2-SK in 2013 and 2014



Source: NBS.

Chart 30 Value of transactions processed in TARGET2-SK in 2013 and 2014 (EUR billions)

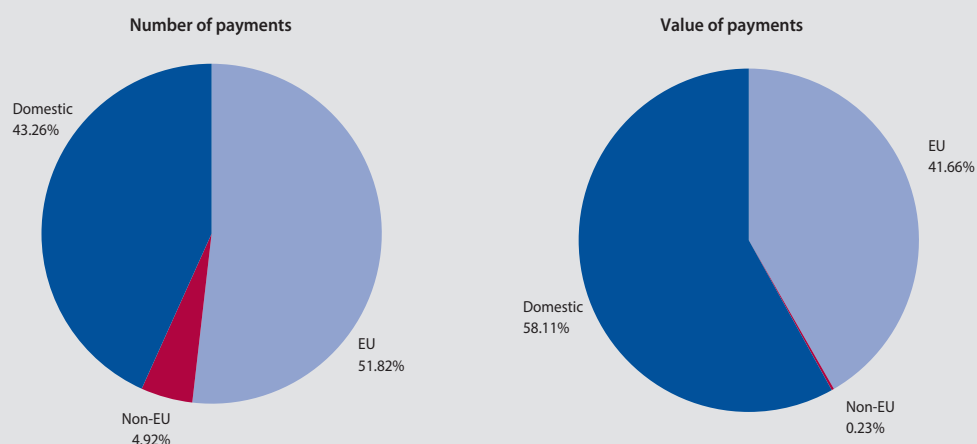


Source: NBS.

of outgoing payments executed by T2-SK participants in 2014, 43.26% were domestic, 51.82% were cross-border within the EU, and 4.92% were cross-border outside the EU. In terms of value,

however, domestic payments accounted for 58% and cross-border payments 42% (with those outside the EU constituting just 0.23% of the total value).

Chart 31 Outgoing TARGET2-SK payments in 2014 broken down by value and number



Source: NBS.



4.2.3 THE SLOVAK INTERBANK PAYMENT SYSTEM (SIPS)

The SIPS is used mainly for the processing and clearing of retail payments in euro. These comprise mostly domestic payments, but also cross-border SEPA credit transfers and SEPA direct debits in the XML message standard. Cross-border SEPA payments (credit transfers and direct debits) are processed by STEP2, a pan-European automated clearing house, in which NBS is a direct participant.

In 2014 the SIPS continued to process and clear payments through multiple clearing cycles on each business day. The resulting cash positions in this ancillary system undergo final settlement in T2-SK. In 2014 the SIPS did not experience any serious incidents that would jeopardise the processing and clearing of payments or disrupt the system's operation.

After significant changes implemented in late 2013 (processing of SEPA credit transfers and SEPA direct debits, migration to the XML standard, connection to STEP2), 2014 was a period of stabilisation for the SIPS. By 1 February, when the Slovak banking sector completed its migration to SEPA payment instruments, the SIPS had already for several months been fully compatible with SEPA standards. By its timely compliance with the requirements of Regulation (EU) 260/2012, the SIPS contributed significantly to the success of the migration to SEPA payment instruments.

In response to the requirements of the banking sector and based on a decision of the NBS Bank Board, preparations began for the introduction of a new clearing cycle within the SIPS, which from 1 January 2015 will extend for SIPS participants, by 2.5 hours, the deadline for making same-day domestic payments and cross-border SEPA payments.

NBS continued maintaining the Register of Creditor Identifiers (Register of CID) in 2014, after assuming this task from the Slovak Banking Association in 2013.

4.2.4 PAYMENTS EXECUTED VIA SIPS

The SIPS had a total of 25 direct participants at the end of 2014, three fewer than it had at the

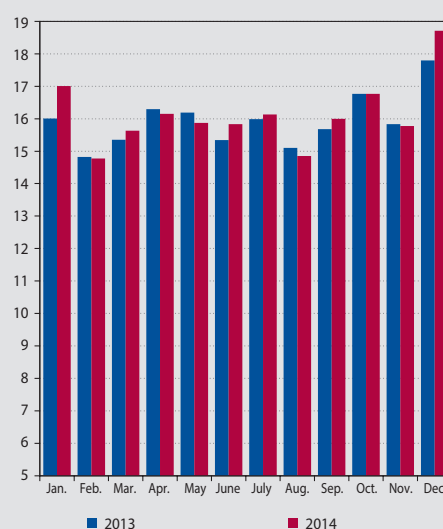
end of 2013. This drop was related to the implementation of SEPA payments in the system (completed by 1 February 2014), as four direct participants became inactive from 1 February and one foreign payment services provider joined the system on 1 March.

The SIPS processed almost 193,491,000 transactions in 2014, with a total value of more than €185,881 billion. The volume of transactions increased year-on-year by 1.21% and the value rose by 4.2%. This growth to some extent follows the previous trend, although it should be noted that the value increase in particular was partly caused by the expansion of the SIPS's functionality to include the processing of cross-border payments (through STEP2, to which the SIPS was connected as part of the SEPA implementation). Cross-border transactions accounted for 4.52% of the total number of transactions executed via the SIPS in 2014. Nevertheless, in terms of value, their share was much higher, 15.36%.

4.2.5 PAYMENT CARDS

In 2014 the number of payment cards in circulation increased by 5.2% year-on-year, to 5.04 million, as their moderate upward trend of recent years continued. The number of contactless cards increased by almost 50%, and by the

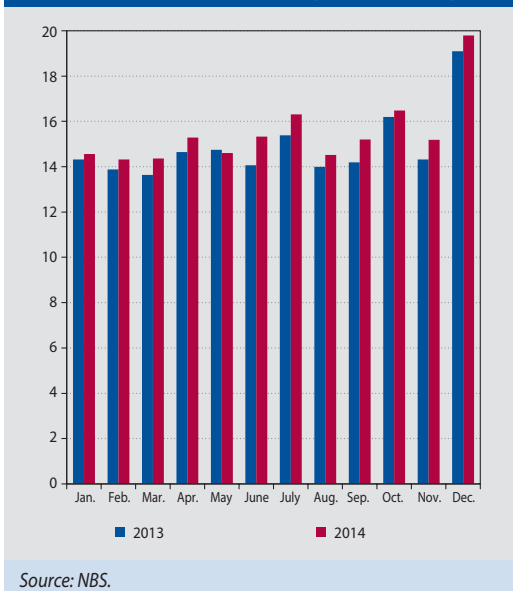
Chart 32 Number of transactions executed via the SIPS in 2013 and 2014 (millions)



Source: NBS.



Chart 33 Value of transactions executed via the SIPS in 2013 and 2014 (EUR billions)



2014 by, respectively, 118 and 5,783 (to 2,708 and 46,822). Almost 57% of these terminals are compatible with contactless payment cards.

4.3 COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS IN THE PAYMENT SYSTEMS FIELD

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

A significant milestone was reached on 1 August 2014 when, based on the efforts of the European Central Bank and national central banks, the Single European Payments Area was successfully implemented for credit transfers (CTs) and direct debits (DDs) in the euro area.

Slovakia’s migration to SEPA payment instruments was completed as from 1 February 2014. The country’s success in this regard was noted by ECB President Mario Draghi in a press conference on 9 January 2014.

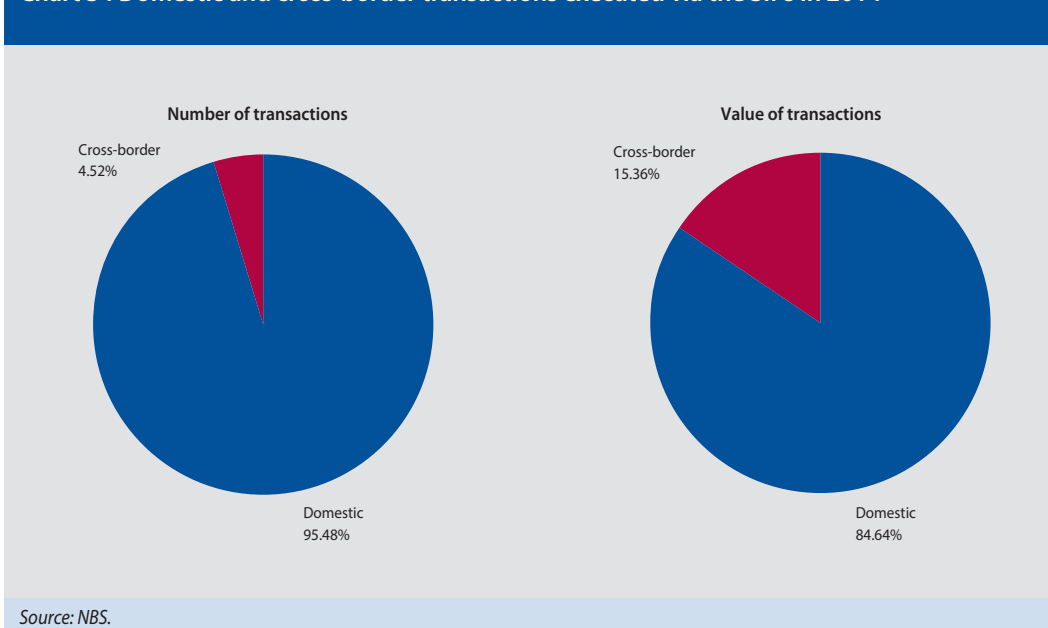
Following the completion of the migration of CTs and DDs to SEPA, the Eurosystem is now turning its attention to the harmonisation of card payments. In April 2014 the ECB published a new report on ‘Card payments in Europe – a renewed focus on SEPA for cards’, which sets out the opin-

year-end accounted for 64% (3.22 million) of all payment cards.

As for contactless transactions, their number was almost 2.5 times higher in 2014 (at 50.5 million) than in 2013 (21 million).

The number of cash dispensers and point-of-sale (POS) terminals in Slovakia increased in

Chart 34 Domestic and cross-border transactions executed via the SIPS in 2014





ions and positions of the Eurosystem with respect to SEPA for cards.

The new Euro Retail Payments Board (ERPBB) began operation in 2014, as the entity replacing the SEPA Council. The purpose of the ERPBB is to help foster the development of an integrated, innovative and competitive market for retail payments in the European Union.

In 2014 the European Banking Authority (EBA) and the ECB, along with national central banks, stepped up their cooperation to increase the security of retail payments, on the basis of technical work developed in the European Forum for the Security of Retail Payments (SecuRe Pay). A key step to this end was the publication in December 2014 of the EBA's Guidelines on the security of internet payments. These guidelines set the minimum security requirements that payment services providers in the EU will be expected to implement by 1 August 2015.

The European Payments Council (EPC), as the decision-making and coordination body of the European banking industry in relation to payment services, periodically updates the rules for SEPA payment instruments. On 25 November 2014 the EPC published updated versions of the SEPA Credit Transfer (SCT) and SEPA Direct DEBIT (SDD) Rulebooks, namely: the SCT Rulebook version 8.0, SDD Core Rulebook version 8.0, and SDD B2B Rulebook version 6.0. These standards will take effect on 22 November 2015.

In accordance with payment scheme rules, payment service providers have a one-year lead time to address rulebook updates prior to them taking effect.

As regards payment card requirements, in January 2014 the EPC published version 7.0 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 THE LINKS BETWEEN THEM

In September 2013 the ECB published a 'Framework for the assessment of securities settlement

systems and links to determine their eligibility for use in Eurosystem credit operations'.

On the basis of this new user assessment framework (UAF), a third comprehensive assessment of SSSs and the links between them began in January 2014. As part of this process, Slovakia's central securities depository – Centrálny depozitár cenných papierov (CDCP) – was assessed against the CPSS-IOSCO Principles for Financial Market Infrastructures (PFMIs) and against the requirements set out in the UAF's user addendum. After the assessment report is approved by the ECB in 2015, its recommendation will be sent to CDCP.

In 2014 Národná banka Slovenska acted as second assessor in the assessment of MaltaClear, and in the assessment of the links between LuxCSD and OeKB (via Clearstream Luxembourg), Clearstream Luxembourg and CDCP, Clearstream Banking AG – Creation and CDCP (via Clearstream Luxembourg), and Euroclear Bank and CDCP.

THE EUROSYSTEM – TARGET2-SECURITIES

In 2014 the Eurosystem continued its work on the TARGET2-Securities (T2S) project under the T2S Programme Plan, with the aim of ensuring that T2S meets the needs of the market. At the end of March 2014 the T2S programme entered the Eurosystem Acceptance Testing (EAT) phase. During internal testing and EAT, the T2S platform proved itself to be sufficiently stable to allow user testing to begin in October 2014. User testing was preceded by pilot testing that started at the beginning of July 2014. From 1 October the T2S platform was opened to testing by all national central banks and central securities depositories, in accordance with the plan. In the first phase, these stakeholders are testing the interaction of their application with T2S. In the next phase, due to commence at the beginning of 2015, they will test their mutual interactions. The CSDs are divided into four migration waves. The start of NCB testing will depend on the interest among payment banks in opening a dedicated cash account. NBS has begun testing T2S connectivity.

Meeting between NBS and Slovakia's T2S National User Group (NUG-SK) were held at



the central bank during 2014, as in previous years.²¹ In addition to attending these meetings, NUG-SK members provided feedback within the Eurosystem's T2S consultation process, which is designed to maximise T2S harmonisation by obtaining the views of national

markets on T2S issues as well as information on national practices in post-trade services. Market representatives continue to implement harmonised standards into national practices so as to ensure the harmonisation of T2S settlement processes.²²

5 STATISTICS

Národná banka Slovenska develops, collects, compiles and disseminates a wide range of statistics which support the monetary policy of the euro area, the stability of the financial system in Slovakia, and other tasks of the European System of Central Banks (ESCB), the European Systemic Risk Board (ESRB), the Bank for International Settlements (BIS), and other international institutions. Based on data reported by financial and non-financial agents, the statistics serve internal users at Národná banka Slovenska and are also used by financial market participants, public sector entities, the media and the general public.

5.1 MONETARY AND FINANCIAL STATISTICS

A key development in 2014 in the area of monetary and financial statistics was the implementation of new standards according to the European System of Accounts (ESA 2010) and to the ECB regulation on monetary financial institutions' balance sheet and interest rate statistics, investment funds' statistics, other financial intermediaries' statistics (firms specialising in leasing factoring or hire-purchase), and payments statistics. These standards were transposed to the NBS regulatory framework via decrees. In 2014 NBS participated in ECB projects concerning, for example, the database of granular credit data that will be shared between Eurosystem members; money market statistics; and the Register of Institutions and Affiliates Database (RIAD). NBS operating activities were also related to supporting the participation of credit institutions in the ECB's new monetary policy instruments known as targeted longer-term refinancing operations LTROs.

During 2014 the data base of aggregated outputs, as well as individual datasets, were flexibly adapted to the requirements of users in the areas of monetary policy implementation, financial stability, banking operations, and payment systems. In addition, 2014 saw preparatory work on the provision of statistical data for the ECB's new role within the Single Supervisory Mechanism.

As regards securities statistics, tasks centred on increasing the quality of data held in the ECB's securities databases. The Centralised Securities Database (CSDB) underwent three significant updates in 2014, entailing, for example, besides technical improvements, the addition of securities attributes concerning the classification of financial instruments and institutional instruments according to ESA 2010. The database of holdings of securities by economic sectors entered its second phase of development in 2014, and preparatory work began on modules for securities holdings of national central banks and for securities holdings of large banking groups.

The improving quality of these databases is indicated by the rising number of applications for access to their data, from users in such areas as monetary policy and banking transactions, as well as in financial market supervisory authorities.

5.2 QUARTERLY FINANCIAL ACCOUNTS

The main purpose of producing quarterly financial accounts (QFAs) is to record all financial flows in the economy, i.e. in what amount and

²¹ The meeting agendas and issues addressed are published on the NBS website at: <http://www.nbs.sk/sk/platobne-systemy/target2-securities/nug-sk>

²² The latest information on T2S may be found on the T2S OnLine page of the ECB's website at: <http://www.ecb.europa.eu/paym/t2s/about/t2sonline/html/index.en.html>