



4 PAYMENT SERVICES AND PAYMENT SYSTEMS

4.1 PAYMENT SERVICES

The principal legislation governing payment services and payment systems in Slovakia is the Payment Services Act, which transposes into Slovak law the European Union's Second Payment Services Directive (PSD2)²¹ with effect from 13 January 2018. An amendment to the Payment Services Act was passed in 2018, which among other things lays down conditions for the abolition of the Permanent Court of Arbitration as an out-of-court dispute resolution mechanism. Consumer disputes will instead be resolved through an alternative dispute resolution entity. At the EU level, work continued on the drafting of implementing acts and guidelines required by PSD2 and on the process of amending the EU Regulation on cross-border payments.

Slovak law in the area of payment services also includes the following directly applicable EU regulations:

- Regulation (EC) No 924/2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001;
- 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;
- Regulation (EU) No 2015/847 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006;
- Regulation (EU) No 2015/751 on interchange fees for card-based transactions; and
- delegated and implementing regulations pursuant to PSD2.

Further components of the legal framework include two decrees of Národná banka Slovenska: Decree No 8/2009 laying down the structure of domestic and international bank account numbers and details about the issuance of an identification code converter; and Decree No 6/2013 on direct debit creditor identifiers and the register of direct debit creditor identifiers.

In 2018 Národná banka Slovenska approved a proposal of the Slovak Banking Association (SBA) that banks 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 out-of-court dispute settlement). Under the above-mentioned amendment to the Payment Services Act, consumer disputes related to the provision of payment service will be resolved by the SBA's Alternative Dispute Resolution Institute.

4.2 PAYMENT SYSTEMS IN SLOVAKIA

4.2.1 TARGET2 AND TARGET2-SK

Since 2009 Národná banka Slovenska has been operating the TARGET2 component system known as TARGET2-SK (T2-SK). In 2018 T2-SK did not experience any operational incidents that would have been serious enough to jeopardise the system and its participants, nor any other incidents that would have disrupted the smooth processing of payments.

Besides ensuring the day-to-day operation of T2-SK, Národná banka Slovenska provides advice and support to the system's participants and performs regular testing of recovery procedures. The central bank is also 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.

The Eurosystem's TARGET services also include dedicated cash accounts (DCAs) held at one or more national central banks. DCAs are used solely for the settlement in central bank money of the cash leg of the securities transactions. They are provided by the TARGET2-Securities (T2S) technical platform.

²¹ Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC.



In November 2018 the Eurosystem successfully launched another facet of its payment services: TARGET Instant Payment Settlement (TIPS). TIPS offers secure settlement of instant payments in euro at any time of day and on any day of the year in a few seconds.

In 2018 NBS organised two working meetings with T2-SK participants, which focused on providing further information about the incoming TIPS and on changes related to the deployment of a new version of the T2 system.

NBS adopted and published the following decisions in 2018:

- Decision No 9/2018 of 27 November 2018 on conditions for opening and administering TIPS dedicated cash accounts (TIPS DCAs) in TARGET2-SK;
- Decision No 10/2018 of 27 November 2018 on conditions for opening and administering T2S dedicated cash accounts (T2S DCAs) in TARGET2-SK;
- Decision No 11/2018 of 27 November 2018 amending Decision No 7/2015 on conditions for opening and administering PM accounts in TARGET2-SK;
- Decision 12/2018 of 27 November 2018 amending Decision No 4/2010 on settlement procedures for TARGET2-SK ancillary systems, as amended.

4.2.2 PAYMENTS PROCESSED BY TARGET2-SK

T2-SK had 36 participants at the end of 2018, including 32 direct participants and the following four ancillary systems: the Slovak Inter-bank Payment System; Sia Slovakia, s. r. o. (the new name of the company previously called First Data Slovakia); and two central securities depositories — Centrálny depozitár cenných papierov SR, a. s. (CDCP) and Národný centrálny depozitár cenných papierov (NCDP). The following two institutions became direct participants in T2-SK in 2018: Expobank CZ, a. s.; and Raiffeisen Centrobank AG, a foreign bank branch.

In 2018 T2-SK processed more than 170,000 transactions with a total value of over €500 billion. Compared with 2017, T2-SK traffic fell in number by almost 20% (by over 43,000 trans-

actions) but increased in value by 9.5% (over €47 billion) (Charts 25 and 26).

T2-SK had 255 operating days in 2018, and its average daily traffic by number and value was 691 transactions and more than €2 billion.

Chart 25 Number of transactions processed by T2-SK in 2017 and 2018

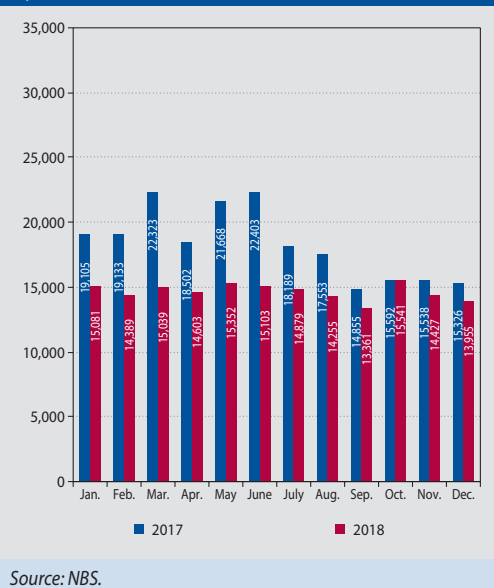
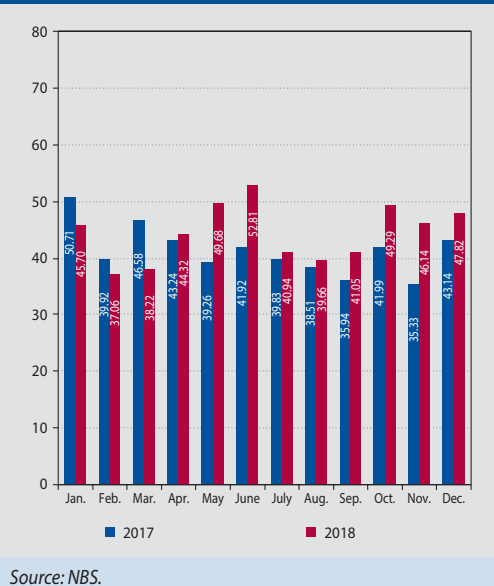


Chart 26 Value of transactions processed by T2-SK in 2017 and 2018 (EUR billions)



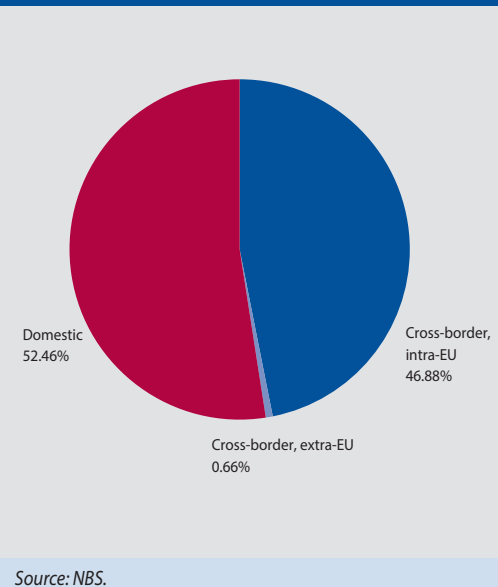
Looking at the payment traffic in 2018 broken down into customer and interbank transactions, customer payments had the higher share by number (65:35), while interbank payments predominated in terms of value (7:93).

A total of 24 EU national central banks were connected to TARGET2 by the end of 2018. Of the total number of payments sent by T2-SK participants in 2018, 45% were domestic and 55% were cross-border. Domestic payments accounted for 52% of the total value of payments, and cross-border payments for 48% (Charts 27 and 28).

4.2.3 THE SLOVAK INTERBANK PAYMENT SYSTEM (SIPS)

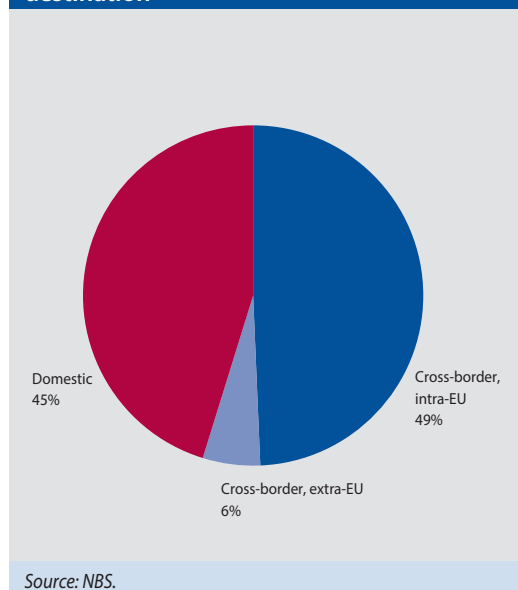
Established in 2003 and operated by Národná banka Slovenska, the Slovak Interbank Payment System (SIPS) is a retail payment system used for the processing and clearing of payments in euro. SIPS processes domestic SEPA²² credit transfers (SCTs) and SEPA direct debits (SDDs), as well as cross-border SCTs and SDDs. As regards SCTs and SDDs sent to payment service providers that are not participants in

Chart 28 Value of payments sent by T2-SK participants in 2018 broken down by destination



SIPS, Národná banka Slovenska ensures their processing through STEP2, a pan-European automated clearing house in which it is a direct participant.

Chart 27 Number of payments sent by T2-SK participants in 2018 broken down by destination



SIPS processes and clears the payments of its participants over four clearing cycles on each business day. Since SIPS is a T2-SK ancillary system, the final cash positions after each cycle undergo final settlement in T2-SK.

During 2018 SIPS functionalities were brought into closer alignment with STEP2 functionalities and with the rulebooks issued by the European Payments Council for SCTs and SDDs. In 2018 NBS began the second phase of its modernisation of the SIPS clearing centre. This will last until 2020, resulting in the launch of a new clearing centre module equipped with upgraded information technology.

NBS also issues creditor identifiers to creditors wishing to collect SEPA direct debits. Such creditors may be natural or legal persons. All the creditor identifiers are recorded in a register maintained since 2013 by NBS and previously

²² SEPA – Single European Payments Area.



by the Slovak Banking Association. A total of 487 creditor identifiers were issued in the years from 2013 to 2018.

4.2.4 PAYMENTS PROCESSED BY SIPS

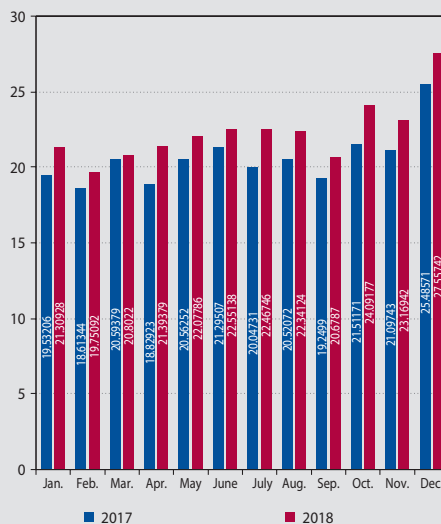
SIPS STATISTICS

The number of SIPS participants changed once in 2018, when Expobank CZ, a. s. connected to the system. At the end of the year there were 25 payment service providers participating in SIPS, of which 22 were domestic and three were foreign.

In 2018 a total of 238.6 million transactions with a total value of €268.2 billion were processed by SIPS. Compared with the previous year, the number of transactions increased by around 5% and the value of transactions rose by more than 8% (Charts 29 and 30).

Almost 93% of the total transactions were domestic transactions processed by SIPS alone, and more than 7% were cross-border transactions processed by SIPS via STEP2. Of the total value of the transactions, domestic transactions and

Chart 30 Value of transactions processed by SIPS in 2017 and 2018 (EUR billions)



Source: NBS.

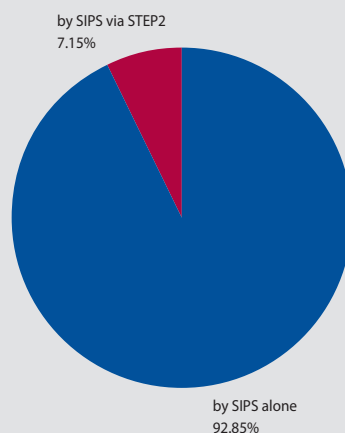
cross-border transactions accounted for 72% and 28% respectively, maintaining the trend of the previous year (Charts 31 and 32).

Chart 29 Number of transactions processed by SIPS in 2017 and 2018 (millions)



Source: NBS.

Chart 31 Breakdown of number in 2018 between transactions processed by SIPS alone and transactions processed by SIPS via STEP2 (percentages)



Source: NBS.

Chart 32 Breakdown value of transactions in 2018 between transactions processed by SIPS alone and transactions processed by SIPS via STEP2 (percentages)

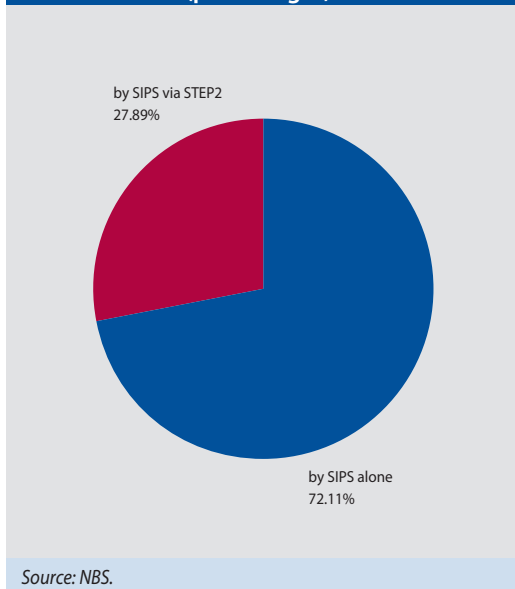
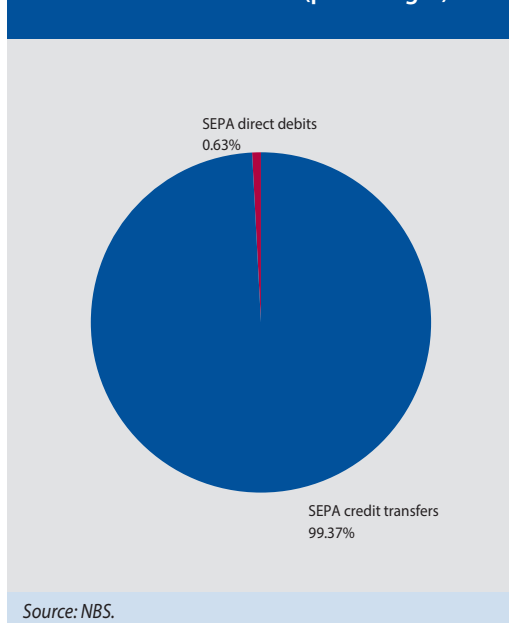
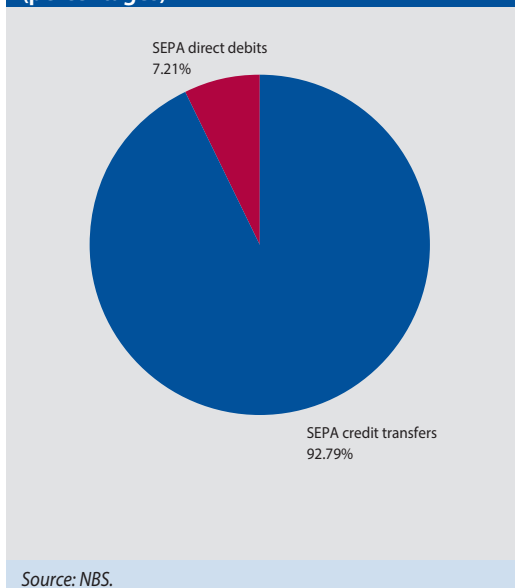


Chart 34 Breakdown of value of cross-border SEPA transactions in 2018 between credit transfers and direct debits (percentages)



As for the breakdown of cross-border SEPA transactions between credit transfers and direct debits, credit transfers accounted for the vast majority of transactions in terms of both number and value (Charts 33 and 34).

Chart 33 Breakdown of number of cross-border SEPA transactions in 2018 between credit transfers and direct debits (percentages)



4.2.5 PAYMENT CARDS

Valid payment cards issued by banks in Slovakia numbered 5,228,729 at the end of 2018, representing a year-on-year increase of just under one percent. Of that total, the vast majority were either VISA or MasterCard cards and 95.6% were contactless. The number of transactions conducted by domestically issued payment cards in 2018 was more than 562 million and the total value of these transactions was almost €27 billion. Compared with the previous year, the number and value of transactions increased by 16.9% and 12.3% respectively.

CARD ACCEPTANCE

There were 2,778 automated teller machines (ATMs) in Slovakia at the end of 2018, fifty-two more than at the end of 2017. Compared with 2017, the number of ATM withdrawals increased by 1.3% and the total value of money withdrawn rose by 6%, to almost €15 billion.

In Slovakia at the end of 2018 there were 45,330 point-of-sale (POS) terminals in operation and 2,897 merchants accepting card payments online. The total number of such transactions in 2018 exceeded 14 million and their total value was almost €0.6 billion, representing year-on-year increases of 22.3% and almost 18% respectively.



The launch of Google Pay in 2018 was a new development in the use of mobile devices to make card payments. In February 2018 five banks in Slovakia introduced the service for holders of MasterCard and VISA cards issued by the banks.²³

4.3 COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS

SECURITIES SETTLEMENT SYSTEMS (SSSs) AND THEIR LINKS

In 2018 Národná banka Slovenska, as part of the Eurosystem, cooperated in the drafting of an official view on each of the two central securities depositories based in Slovakia – CDCP and NCD-CP – in accordance with the CSD Regulation.²⁴ Authorisation applications of CDCP and NCD-CP were assessed by NBS in its capacity as a relevant authority under Article 12(1) of the CSD Regulation.

For both CDCP and NCD-CP, the Eurosystem issued a favourable opinion that included a number of recommendations. Meeting them will help bring the two Slovak CSDs into full compliance with the requirements of the CSD Regulation. The final opinion was approved by the ECB's Governing Council.

TARGET2-SECURITIES AND OTHER EUROSYSTEM

PROJECTS

The TARGET2-Securities (T2S) system operated reliably in 2018. NBS participated in the testing of a T2S upgrade – release 2.0 – which was deployed in June 2018 and allows currencies besides the euro to be used for settlement in T2S. Several changes in T2S participation took place in 2018, as follows:

- in October 2018 the Danish krone became available for settlement in T2S, after the Danish RTGS system, Kronos2, was connected to T2S and after VP Securities – a Danish central securities depository – migrated its Danish krone settlement to the platform (it previously used T2S only for euro settlement);
- ID2S, a new French CSD, migrated to T2S;
- the Central Bank of Ireland joined T2S;
- VP Lux ceased operating in 2018, so ceased its participation in T2S.

Change proposals that will form future T2S releases are always put out for consultation in national markets. In 2018 NBS took part in a written consultation concerning harmonisation and it monitored compliance with harmonisation standards within the national market.

5 STATISTICS

Národná banka Slovenska (NBS) 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, various other tasks of the European System of Central Banks (ESCB), and the tasks of the European Systemic Risk Board (ESRB), Eurostat, the Bank for International Settlements (BIS) and other international institutions. Based on data reported by financial and non-financial agents, the statistics are used not only by internal users at NBS, but also by financial market participants, public sector entities, the media, and the general public.

5.1 STATISTICAL DEVELOPMENTS

In 2018 monetary and financial statistics for the banking sector were affected by an amendment to the Banking Act relating to the classification of mortgage loans for statistical purposes. Methodological changes and new requirements introduced by the European Central Bank (ECB) for the reporting of capital, reserves and positions in respect of the Single Resolution Mechanism did not affect the legal framework for data collection. Internal processes were focused on technical improvements in the compilation and analysis of data.

²³ Sources: banks and foreign bank branches.

²⁴ Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.