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Payment services and payment systems

146,000
TARGET2-SK
transactions

more than
261 million
SIPS transactions

2
payment
systems

561 million
payments with cards
issued by domestic
banks

almost
€194
- the average
amount of ATM
withdrawals



Payment services and payment systems

The long uptrend in cashless payments by consumers became notably more pronounced in 2020. The same year also saw the modernisation of the SIPS retail payment system come to completion

5.1

Payment services

The principal legislation governing payment services and payment systems in Slovakia is the Payment Services Act (No [492/2009](#)), which transposes into Slovak law the European Union's [Second Payment Services Directive](#) (PSD 2) 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. The Payment Services Act includes provisions on the out-of-court resolution of disputes through alternative dispute resolution bodies.

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 identifier code converter; and Decree No 6/2013 on direct debit creditor identifiers and the register of direct debit creditor identifiers.

5.2

Payment systems in Slovakia

5.2.1 TARGET2 and TARGET2-SK – new functional elements

Since 2009 Národná banka Slovenska has been operating the [TARGET2¹⁷](#) component system known as TARGET2-SK (T2-SK). Besides ensuring the

¹⁷ TARGET stands for Trans-European Automated Real-time Gross settlement Express Transfer system: the Eurosystem's real-time gross settlement system for the euro. The first-generation TARGET system was replaced by TARGET2 in May 2008.

day-to-day operation of T2-SK, the 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.

Apart from TARGET2, there are two other components of the Eurosystem's Target Services: [TARGET2-Securities \(T2S\)](#) and [TARGET Instant Payment Settlement \(TIPS\)](#).

Following discussions with TARGET2 participants, the ECB decided in 2020 to extend the timeline of the [T2-T2S consolidation project](#) by one year because of the pandemic crisis. The project, which aims to develop new services for participants in the areas of liquidity management and real-time gross settlement (RTGS) services and to adapt existing services, is now due to go live on 21 November 2022. Also in 2020, the European Commission adopted a retail payments strategy for the EU, and the ECB's Governing Council took steps to ensure the pan-European reach of TIPS.

5.2.2 Payments processing in TARGET2-SK – with some new participants

The number of T2-SK participants increased from 36 at the end of 2019 to 39 in 2020. They comprised 34 direct participants and the following five ancillary systems: the Slovak Interbank Payment System; SIA Slovakia, s.r.o., and three central securities depositories (CSDs) – Centrálny depozitár cenných papierov SR, a.s., Národný centrálny depozitár cenných papierov, a.s., and the Prague-based Centrální depozitář cenných papírů, a.s. The three new participants were TRINITY Bank, a.s., PPF Banka, a.s., and Centrální depozitář cenných papírů, a.s.

As Charts 33 and 34 show, in 2020 T2-SK processed more than 146,063 transactions with a total value of around €900 billion. Compared with 2019, T2-SK traffic fell in number by more than 11% (18,056 transactions) but increased in value by 49% (more than €297 billion).

T2-SK had 257 operating days in 2020, and its average daily traffic by number and value was 578 transactions and almost €3.5 billion.



Chart 33:
Number of
transactions
processed by T2-SK
in 2019 and 2020

Source: NBS.



Chart 34:
Value of
transactions
processed by
T2-SK in 2019
and 2020
(EUR billions)

Source: NBS.



The breakdown of payment traffic between customer and interbank transactions followed the same pattern in 2020 as in previous years: customer payments had the higher share by number (59:41) and interbank payments predominated in terms of value (4:96).

The number of EU national central banks connected to TARGET2 remained unchanged in 2020, at twenty-four. Of the total number of payments sent by T2-SK participants in 2020, 45% were domestic and 55% were cross-border. Domestic payments accounted for 57% of the total value of payments, and cross-border payments for 43% (see Charts 35 and 36).



Chart 35:
Number of payments
sent by T2-SK
participants in 2020
broken down
by destination
(percentages)

Source: NBS.

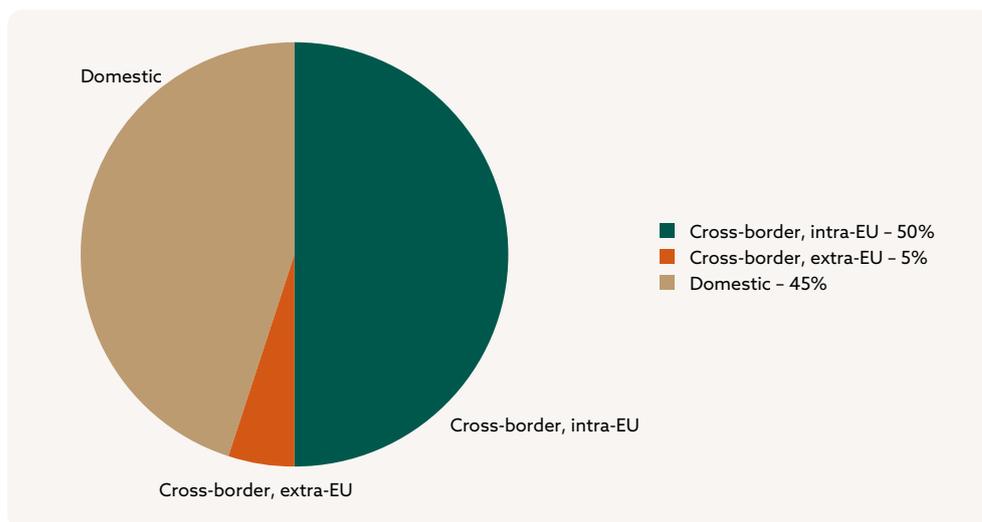
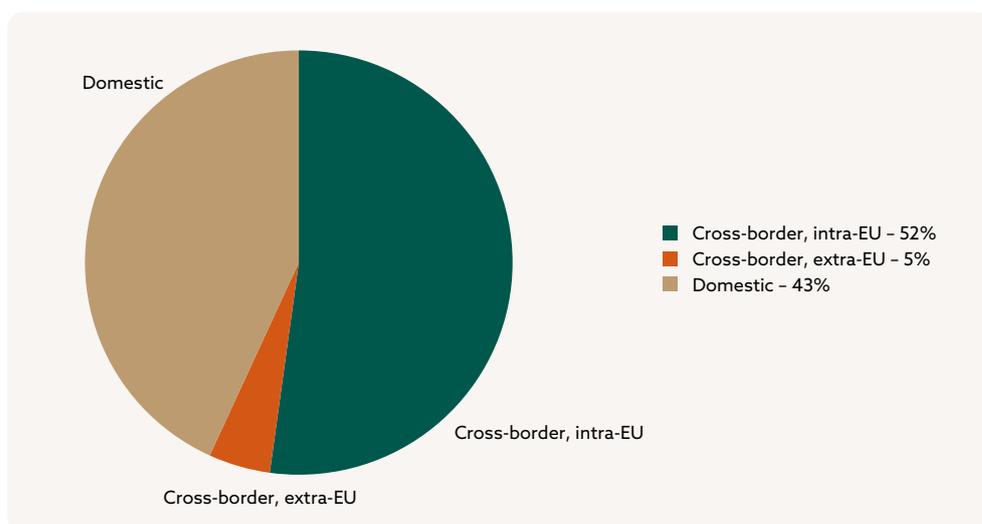


Chart 36:
Value of payments
sent by T2-SK
participants in 2020
broken down
by destination
(percentages)

Source: NBS.



5.2.3 The Slovak Interbank Payment System (SIPS)

Successful completion of SIPS modernisation

Operated by Národná banka Slovenska, the SIPS retail payment system processes domestic and cross-border SEPA credit transfers (SCTs) and SEPA direct debits (SDDs). As regards SCTs and SDDs sent to payment service providers that are not SIPS participants, Národná banka Slovenska ensures their processing through STEP2, a pan-European automated clearing house in which it is a direct participant.

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.

In 2020 the Bank completed the upgrading of the SIPS clearing centre. The new clearing centre module is based on modern information technology and began operating on 31 July 2020. In the same year work began on making modifications to SIPS as part of the preparations for the T2-T2S consolidation project, which is due to go live in 2022.

Another task of the Bank is to issue creditor identifiers to creditors wishing to initiate SEPA direct debits. Such creditors may be natural or legal persons. All the creditor identifiers are recorded in a register that the Bank has maintained since 2013. From that year to the end of 2020, the Bank issued a total of 537 creditor identifiers.

Increase in number of transactions processed by SIPS

The number of SIPS participants increased from 25 at the end of 2019 to 27 in 2020, as two foreign payment service providers joined the system.

In 2020 SIPS processed more than 261.48 million transactions with a total value of €277,696.19 million (the monthly breakdowns of these figures are shown in Charts 37 and 38). Compared with the previous year, the number of transactions increased by 3.8%, but the value of transactions fell by 1.2% after previously being on an uptrend.



Chart 37:
Number of transactions processed by SIPS in 2019 and 2020 (millions)

Source: NBS.

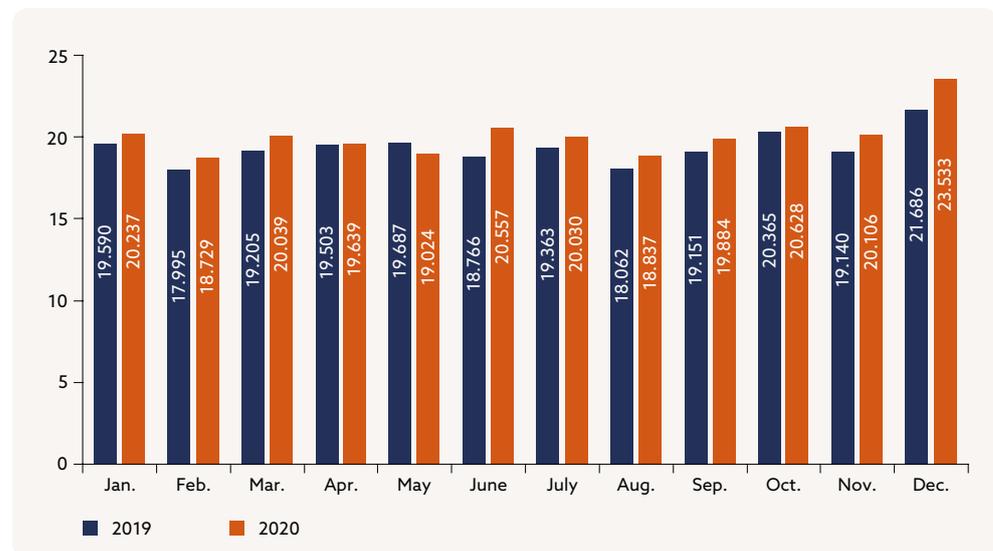
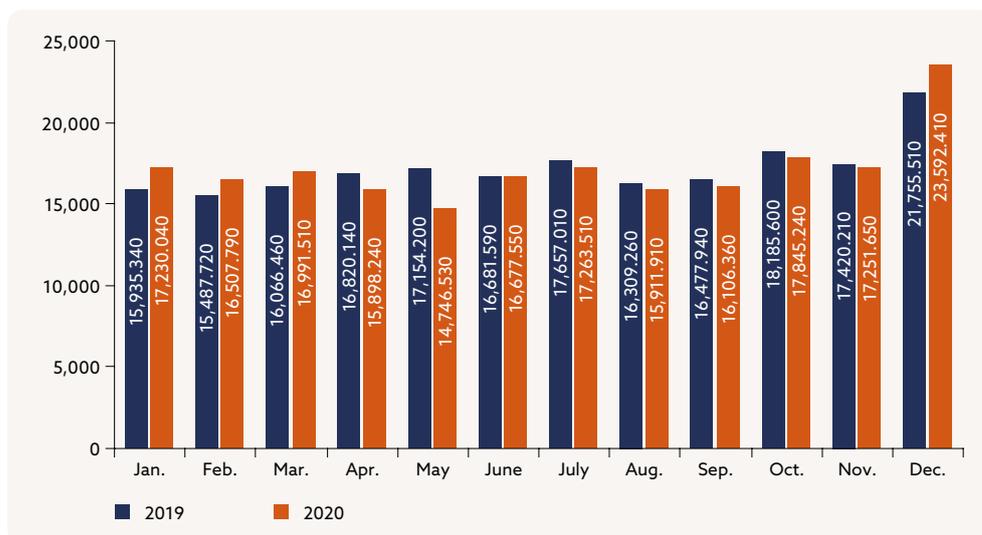




Chart 38:
Value of transactions processed by SIPS in 2019 and 2020 (EUR millions)

Source: NBS.



The share of cross-border transactions in the total number of transactions processed by SIPS in 2020 was 7.7%, the same as in 2019, while the share of cross-border transactions in the total value of SIPS transactions was almost 1% lower in 2020 than in the previous year, at 25.88%.

As regards the breakdown of overall SEPA transactions between credit transfers and direct debits, credit transfers predominate in terms of both number (93.43% versus 6.57% in 2020) and value (99.4% versus 0.6%).

5.2.4 Payment cards

Payment card issuance

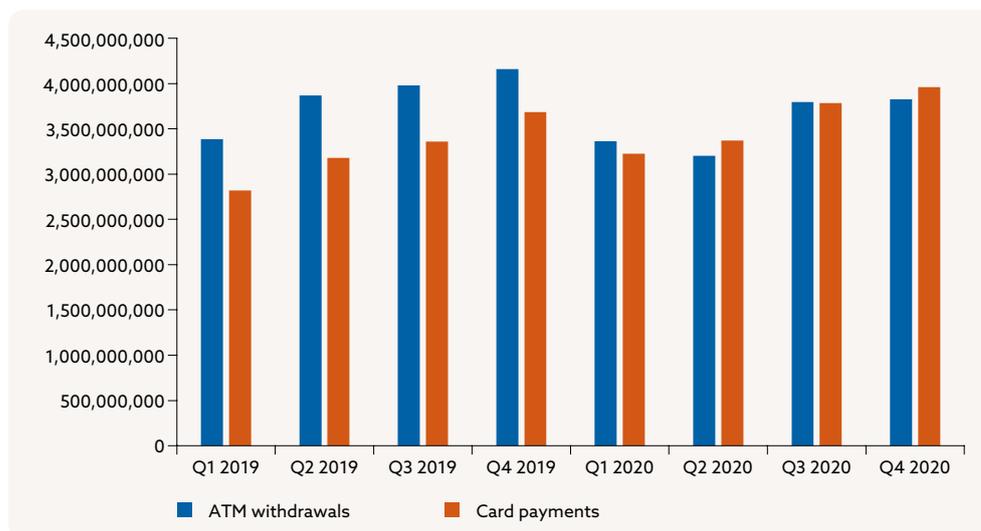
The number of valid payment cards issued by banks in Slovakia stood at 5,513,916 at the end of 2020, representing a year-on-year increase of almost 3.6%. The vast majority of these cards were either VISA or MasterCard cards, and virtually all (99.56%) of them featured contactless technology.

The usage of domestically issued payment cards changed in 2020 owing to the impact of pandemic-related lockdowns and business closures. This was seen in the second and fourth quarters of the year, when the value of card payments surpassed the value of ATM withdrawals (Chart 39). This represented a significant shift in cardholder behaviour, with cards being used more for contactless merchant payments than for ATM withdrawals.



Chart 39:
**Value of ATM
withdrawals and
card payments in
2019 and 2020**

Sources: Banks
and foreign bank
branches.



This trend also appeared in the total value of transactions in 2020.

In 2020 the number of ATM withdrawals made in Slovakia with domestic bank-issued payment cards stood at more than 73 million, and the total amount of these withdrawals was €14.2 billion. Compared with the previous year, these figures were lower by 21.3% and 7.8% respectively. The average amount of withdrawals increased by 17%, year on year, to €193.9.

Payment cards issued in Slovakia were used to make almost 561 million payments in 2020, either at point-of-sale (POS) terminals or to online merchants. The total value of these payments was almost €14.34 billion. Compared with the previous year the number and value of POS/e-commerce¹⁸ payments increased by 4.7% and 9.9% respectively. The average amount of card payments rose by 5%, to €25.6.

The total number of ATM withdrawals made up 12% of all payment card transactions, while card payments accounted for more 50% of the value of transactions.

The total number of mobile payments based on domestically issued payment cards increased from 13.6 million in 2019 to 36.6 million in 2020, and the total value of such transactions surged from €262 million to more than €781 million. The tendency to use mobile payments for lower-value transactions was again evident in 2020 – the average value of mobile payments was €21.53 (€19.25 in 2019).

¹⁸The term "e-commerce" refers to the sale or purchase of goods or services through electronic transactions conducted via the internet or other computer-mediated networks.

Payment card acceptance affected by cardholder behaviour

The number of automated teller machines (ATMs) in Slovakia at the end of 2020 was unchanged year on year, at 2,778. A shift in cardholder behaviour was also apparent in regard to the usage of cards in the ATM and POS terminal networks. Given the decline in the need for cash, the number and value of ATM withdrawals decreased year on year. The total number of ATM withdrawals, 74.7 million, was down by 20.4%, and their total value, €14.4 billion, was 7% lower. But while cardholders were using ATMs less often, the average value of their withdrawals increased to almost €193 (from €165 in 2019). The total value of ATM deposits almost doubled in 2020, to €3.6 billion (from €1.9 billion).

By the end of 2020 there were 62,836 POS terminals operating in Slovakia and a total of 5,088 domestically based merchants that accepted e-commerce card payments – 1,445 more than did so at the end of 2019.

A total of 384 million card payments were made to brick-and-mortar and online merchants in 2020, representing a year-on-year decline of 2.23%, while the total value of these payments increased by 6.22%, to €9.1 billion. Looking at the combined payment card usage for POS/e-commerce payments and ATM withdrawals, POS/e-commerce payments accounted for 83.72% of the total number of transactions and for 38.86% of the total value.

A change in cardholder behaviour was also seen in the area of online shopping, with the number of transactions increasing by 1.3% and the value of transactions increasing by 0.7%. A total of 23.6 million e-commerce card payments were made in Slovakia in 2020, and their total value was almost €0.88 billion.

5.3

Cooperation with international financial institutions

Financial market harmonisation

The Eurosystem continued its financial market harmonisation process in 2020, building on the previous year's results. It started monitoring the state of the implementation of approved standards in national markets. In this

process, the main implementing actors are the central securities depositories (CSDs) and triparty agents (TPAs) which in 2019 submitted Adaptation Plans to the Eurosystem. The first monitoring round was launched in March 2020. The Eurosystem is monitoring the implementation phase not only at CSDs and TPAs, but also at other capital market participants. According to the results of the first monitoring round, the implementation milestones were being met in accordance with the original plan.