

Activity Report of the Innovation Hub and Regulatory Sandbox of Národná banka Slovenska

2024

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The year in figures

<p>31 Innovation Hub cases</p> 	<p>26 crypto-asset-related enquiries (83.8% of all enquiries)</p> 	<p>One firm admitted to Sandbox testing in December 2024</p> 	<p>20 NBS staff took part in the EU Supervisory Digital Finance Academy initiative</p> 
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Introduction

This sixth edition of Národná banka Slovenska's report on the activities of its Innovation Hub and Regulatory Sandbox comes at a time of significant regulatory changes in the financial sector. In the European Union, the first innovation platforms emerged in 2016, and the financial innovation landscape has since undergone a major transformation, with 2024 marking a watershed moment in the regulation of digital finance.

The Bank's Innovation Hub and Regulatory Sandbox (hereinafter the 'Hub' and 'Sandbox') provide a platform for consulting the Bank's experts about the application of regulation in relation to financial innovation. While the Hub, established in 2019, offers the possibility of one-off engagements, the Sandbox – in operation since 2022 – provides an environment for longer-term collaboration in aligning innovative products and services with regulatory requirements.

In keeping with the trend of recent years, the main topic of Hub enquiries in 2024 was crypto-assets. This heightened interest was directly related to the European Union's new Markets in Crypto-assets (MiCA) Regulation, which started to apply from 30 December 2024. The new regulatory framework for crypto-asset business has raised many issues, with the Bank addressing a number of them through Hub engagements.

In response to this expected situation, the Bank has expanded its support activities beyond standard engagements. This report provides a comprehensive overview of these initiatives, which include a series of measures aimed at preparing the business sector for the new regulatory requirements and at raising awareness among both consumers and professionals.

In building its internal capacities in the area of financial market innovation, the Bank has benefited from the EU Supervisory Digital Finance Academy (EU-SDFA) initiative. Through the EU-SDFA, the Bank's experts are continuously expanding their knowledge and skills to respond to new challenges in the field of digital finance.

The Bank's functioning innovation infrastructure, together with its proactive approach to new regulatory challenges, confirms its position as a modern regulator that actively supports the development of the innovation ecosystem while maintaining financial market stability. The experience from 2024 shows that this approach greatly contributes to reducing uncertainty and facilitates the implementation of innovation in the Slovak market.

1. Hub focused on preparations for new regulation

1.1 A strong year for crypto-asset-related Hub engagements

The Hub experienced a notable increase in activity in 2024. It handled a total of 31 enquiries during the year, representing a 63% increase compared with 2023 (19). This marked rise was directly related to the expected entry into application of the European Union's MiCA Regulation¹ and the subsequent need for entities to prepare for the new regulatory framework.

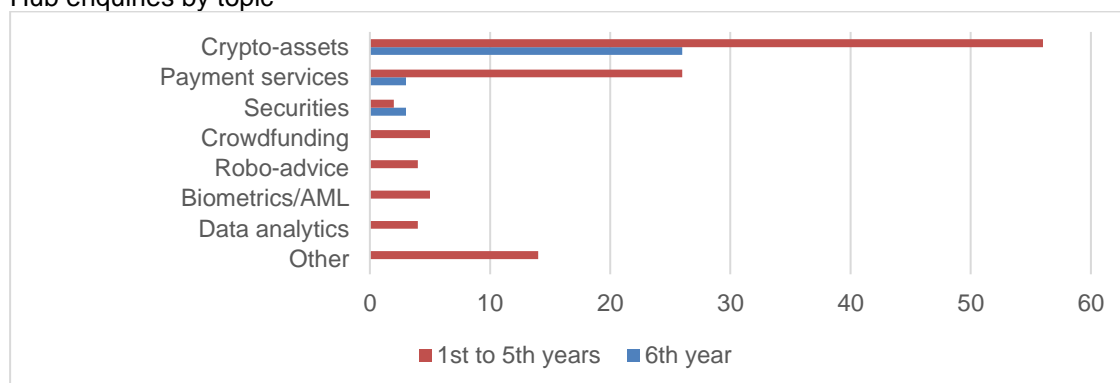
The breakdown of Hub enquiries by topic shows a clear predominance of enquiries concerning crypto-assets, which accounted for 84% of the total. The remaining engagements focused on payment services (three enquiries) and securities (three enquiries), one of which was of a mixed nature that overlapped with the area of crypto-assets.

In 2024 all crypto-asset service providers in Slovakia were operating on the basis of a trade licence (for the provision of a virtual currency wallet or a virtual currency exchange). The central authority for this type of activity is the Ministry of Interior of the Slovak Republic. The main questions for such entities concerned their future obligations towards certain institutions in Slovakia (the Interior Ministry and Národná banka Slovenska) and the differences between the current regime (trade licence) and the future authorisation regime under MiCA.

A number of questions focused on formal details, as well as on practical aspects of applying for a business authorisation under the MiCA regime, on expectations and formalities for obtaining an authorisation as soon as possible, and authorisation requirements for different business models and their definitions. The most common questions concerned the exchange of crypto-assets for other crypto-assets, the exchange of crypto-assets for fiat currency, and the holding of crypto-assets on own account for profit and speculative purposes.

Enquirers also asked about remote customer verification obligations and about obliged entities' identification obligations related to AML compliance and to the mandatory identification of politically exposed persons under current legislation. Equally important questions addressed to the Hub in 2024 concerned the reporting of necessary statistical data by prospective supervised entities to the Bank. These enquirers were particularly interested in the frequency of data reporting, the method of data transmission, and the technical configuration of interfaces.

Chart 1:
Hub enquiries by topic



¹ Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (OJ L 150, 9.6.2023).

Box 1 - Crypto-assets and financial institutions

The worlds of traditional financial institutions and crypto-assets are increasingly intertwined, opening up new opportunities for both sides. The Bank is following this development in two key areas: the provision of banking services to crypto-asset businesses, and the direct entry of financial institutions into the crypto-asset market.

In Slovakia, as in other EU countries, crypto-asset service providers (CSPs) face a major hurdle – limited access to basic banking services. Although banks have so far approached this sector cautiously due to concerns about money laundering, international experience shows that with the proper processes in place and a solid understanding of the issues, these risks can be managed effectively. The Bank is therefore working closely with domestic banks to explore opportunities and methods that foster innovation while ensuring compliance with regulatory requirements.

A new MiCA Regulation represents a major breakthrough, making it easier for certain financial institutions to enter into the crypto market. Commercial banks and investment firms will no longer need additional authorisation to enter the market – it will suffice to notify the Bank of their intention to do so. The simplification of this process has already prompted a number of early stage innovators to engage in active discussions with the Bank about their crypto-asset plans.

From a geographical perspective, most (84%) of 2024 Hub enquiries were made by domestic entities, with the rest coming from entities based abroad. With electronic communication, however, it was not always possible to accurately identify the enquirer's country of origin. The Hub responded flexibly to enquirers' needs using a variety of communication channels, including written correspondence (24 cases), online meetings (two cases) and in-person engagements (two cases).

1.2 Smart solutions in payments and investing

In 2024 the Hub also handled innovative solutions in the areas of payment services and investment, one of which bridged the world of traditional investment with crypto-assets.

In the area of payment services, several interesting business models were the subject of Hub engagements in 2024. One enquiry focused on fund transfers as part of payroll accounting services, while another related to the issuance of prepaid payment cards by a foreign e-commerce platform that also operates in Slovakia. In both cases, the questions concerned whether the service or product fell within the current scope of regulated payment services.

A third enquiry involved analysing the business model of a firm offering cash withdrawals followed by further payments made with the withdrawn funds. Comprehensive information regarding the terms and procedure for applying for an authorisation is available on the respective page of the NBS website, which provides useful summarised information and practical tips for current and prospective supervised entities.

Last year's Hub engagements in the area of investment and securities included three interesting projects. The first explored the possibility of converting traditional investment products into digital form using blockchain technology – the same technology underlying crypto-assets. In addition to substantive issues and conditions concerning the tokenisation of securities, the enquirer was also interested in 'sandboxing'.

The second project dealt with automated investment advice ('robo-advice'), where computer programs help individuals with investing. The enquiring firm wanted to know how it could offer its technical solution to other firms that would market it under their own brand. The firm was also interested in training opportunities in this area.

The third project introduced a new investment platform enabling ordinary people to invest in the stock market. This case illustrates how modern technology can make investing more accessible to a wider public.

2. Sandbox participant tests innovative solution

2.1 Thorough project preparation

The preparatory phase of Sandbox participation was undertaken in 2024 by one crowdfunding service provider subject to NBS supervision (Crowdberry Investment Platform j.s.a.). This participant's project concerned an electronic bulletin board that allows investors to advertise their interest in buying and selling loans of transferable securities originally offered on a specific crowdfunding platform. This solution has the potential to significantly increase the liquidity of investments on the platform.

NBS experts conducted a series of in-depth regulatory consultations with the participant's representatives. The participant's level of preparedness, adherence to timelines, grasp of the issues, and discussions concerning the understanding of regulatory provisions all reflected a strong commitment and active engagement.

In their meetings with the participant, NBS experts focused on the provisions of the relevant EU legal act – Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business. They worked with documents in this area issued by other national competent authorities as well as by European supervisory authorities. Attention was also given to the clarification of definitions under MiFID II in relation to the Crowdfunding Regulation.

The result of this thorough preparation was the approval of the participant's testing plan on 15 December 2024. The plan precisely defines the groups of clients who, after giving consent, will participate in the testing and specifies how potential risks will be identified and mitigated. It should be noted that future changes in EU regulation of crowdfunding may affect the final configuration of the electronic bulletin board.

2.2 Testing phase launch

After successfully completing the preparatory phase, the project entered the testing phase, which will continue until mid-2025. In accordance with the Sandbox's rules, the Bank published basic information about the project on its website, including the name of the participant, the start date of the testing, and a general description of the innovative solution.

3. The Bank actively supports the financial sector's digital transformation

In line with its intention to foster responsible innovation, the Bank last year significantly expanded its innovation-supporting activities beyond the standard Hub and Sandbox engagements. This broad approach was particularly important ahead of the entry into application of two key EU legal acts: the MiCA Regulation as of 30 December 2024 and Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience in the financial sector ('DORA') as of January 2025. This included targeted market preparation for the new regulatory framework, systematic education of professionals and the general public, and the strengthening of the Bank's visibility at international events.

3.1 Targeted market preparation for new regulation of innovation

During 2024 the Bank systematically prepared market participants for the implementation of new EU regulations. A series of specialised workshops focused on practical aspects of MiCA – from authorisation requirements and capital adequacy to IT security and crypto crime prevention. In preparing these events, the Bank worked closely with the Financial Intelligence Unit of the Police Force Presidium and other expert institutions, enabling coverage of all key aspects of the new regulation.

In parallel, intensive preparations for DORA were undertaken. At two professional workshops, NBS experts gave an in-depth presentation of the new IT risk management framework, contractual requirements for relationships with IT service providers, and the cyber incident reporting system. Strong participation and lively discussions confirmed that this proactive approach to preparing for the new regulation came at the right time.

A key milestone was the 2024 edition of the annual Slovak Financial Market and Innovation conference, which created a platform for open dialogue between the regulator, on the one side, and supervised entities and innovators, on the other, regarding the practical challenges of the new regulation's implementation and the use of artificial intelligence in the financial sector.

Particular attention was paid to the legal and compliance aspects of the new regulation. In cooperation with the Institute of Banking Education, the Bank organised an expert discussion on new AML/CFT legislation, with an emphasis on risks associated with crypto-assets.

NBS experts took an active part in discussions on the practical implementation of MiCA at events organised by the Slovak legal community – the Highgate Conference and the Hronček Partners event. They presented a comprehensive overview of the authorisation process for crypto-asset service providers. The discussions covered a wide range of topics, from the preparation of authorisation documentation to specific regulatory requirements and practical aspects of AML/CFT legislation, thereby offering participants a holistic understanding of the requirements for conducting regulated business in the crypto-asset space.

3.2 Education of professionals and consumers

In 2024 the Bank significantly expanded its educational activities, targeting various groups of financial market participants as well as the general public. These activities reflect the Bank's commitment to improving people's understanding of financial innovation – specifically crypto-assets and their regulation and risks.

The Bank actively cooperates with key financial sector associations. In 2024, at an event organised by the Slovak Alliance for Innovation Economy (SAPIE), NBS experts presented ways in which the Hub and Sandbox could support the fintech community.

During the annual Finweek conference in Bratislava, organised by the Fintech & Insurtech Association of Slovakia (FINAS), NBS experts spoke about recent developments in the field of crypto-assets, payment services and the digital euro. At the Digital Chain Bratislava conference, discussions focused on the practical aspects of MiCA implementation and the authorisation process under the new regulation.

As part of its efforts to educate the younger generation, the Bank held a series of talks for university and secondary school students. These educational initiatives were complemented by a unique exhibition on the history and present state of Bitcoin at the NBS Museum of Coins and Medals in Kremnica, making the topic of crypto-assets more accessible to the general public. Through this broad approach to education, the Bank is actively helping to raise awareness about financial innovation and its responsible use.

3.3 The Bank's innovation voice abroad

In 2024 NBS experts participated in the Digital Assets for Banking and Finance conference in Prague and the Seamless Europe conference in Munich, where they presented the Slovak approach to MiCA implementation and the Bank's experience from the operation of its innovation hub. The discussions covered a wide range of topics, from practical aspects of supervision, to innovation in payment services and the digital transformation of retail banking. Both conferences provided a valuable platform for exchanging

experience of, and gaining insights into, the latest trends in the digitalisation of financial services in the European context.

Other major international conferences attended by NBS experts included BTC Prague, FinTech Roadmap 2024, and Money Motion 2024, all of which provided a valuable overview of current trends in crypto-assets and financial technology, as well as opportunities for networking with European experts.

3.4 Building internal capacities

The development of the Bank's professional capacities in 2024 was greatly supported by the EU Supervisory Digital Finance Academy (EU-SDFA) initiative. During the year, twenty NBS experts participated in specialised EU-SDFA courses on digital finance, artificial intelligence and new regulatory frameworks. These courses – combining online learning with in-person meetings in Florence – played a major role in strengthening the Bank's expertise in the supervision of digital innovation.

Conclusion

The year 2024 marked a milestone for the Bank in supporting the digital transformation of the financial sector. The Hub saw a record increase in activity, handling 31 enquiries, of which the great majority (84%) concerned crypto-assets. This significant growth was directly related to the market's preparation for the implementation of the MiCA Regulation, which started to apply from 30 December 2024.

As for the Sandbox, a notable success was the first ever acceptance of a participant to the testing phase. The project in question – an electronic bulletin board for crowdfunding platforms – illustrates how the Bank can actively support responsible innovation while ensuring investor protection.

In 2024 the Bank significantly expanded its innovation-support activities beyond the standard Hub and Sandbox engagements. A series of specialised workshops helped market participants prepare for the new regulatory requirements under MiCA and DORA. Intensive international cooperation and participation in the EU Supervisory Digital Finance Academy initiative further strengthened the Bank's expertise in supervising digital innovation.

Particular emphasis was placed on educating professionals and consumers in ways ranging from expert conferences and academic lectures to a unique exhibition on the history of Bitcoin at the Museum of Cins and Medals in Kremnica. All these activities contributed to improving people's understanding of the opportunities and risks associated with the digitalisation of financial services.

Last year thus laid a solid foundation for the further development of financial innovation in Slovakia. The combination of a proactive regulatory approach, strong market support, and systematic education is creating favourable conditions for responsible innovation while preserving financial sector stability. In the context of the EU's major new regulatory framework under MiCA and DORA, the Slovak financial sector is entering a new era of regulated digital finance.

Annex – The handling of Hub enquiries

The sixth year of the Hub's operation further confirmed the positive trends in the manner and intensity of communication between the Hub and the market. The majority of engagements took place in writing, while more complex questions concerning multiple financial areas were addressed through teleconferences or in-person meetings. The latter formats proved to be particularly effective, as they allowed direct interaction between enquirers and NBS experts from different departments.

As usual, Hub engagements were lowest during the summer months (from July to September).

While MiCA-related issues were at the fore in 2024, we can in future expect an increase in engagements about payment services and open banking ahead of several upcoming EU legal acts in these areas: the Payment Services Regulation, the third Payment Services Directive, and the Financial Data Access Regulation.

Chart 2:

Number of Hub enquiries in 2024 and previous periods

