



PAYMENT SERVICES AND PAYMENT SYSTEMS



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5.1 PAYMENT SERVICES

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 referred to as “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.¹⁷

Slovak law in the area of payment services also includes Decree No 8/2009 of Národná banka Slovenska (laying down the structure of domestic bank account number and international bank account number and details of the issuance of a converter for identifier codes) 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

5.2 PAYMENT SYSTEMS IN THE SLOVAK REPUBLIC

5.2.1 TARGET2 AND TARGET2-SK

Národná banka Slovenska has been operating TARGET2-SK, a TARGET2 component system,

since Slovakia entered the euro area on 1 January 2009. TARGET2-SK functioned reliably in its fourth year, with neither NBS nor any of the system's participants recording any incidents such that would jeopardise the smooth processing of payments or disrupt the system's operation. Thus, from the point of view of payment system performance, 2012 can be considered a successful year.

Besides overseeing the system'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 bring improved functionalities and modifications to the SSP (all of which are approved by the Eurosystem in response to the requirements of the system's users), and they also rectify any deficiencies identified in the previous version.

NBS organised regular working meetings with representatives of the TARGET2-SK system's participants. These meetings are opportunities to discuss proposed and planned changes to the TARGET2 system, to coordinate testing of new SSP software releases with participants, to evaluate the day-to-day operation of the system, and for NBS to inform the system's participants about any other relevant information.

On 18 December 2012 Národná banka Slovenska issued two Decisions concerning TARGET2-SK: Decision No 11/2012 amending Decision No 3/2010 on conditions for participation in TARGET2-SK, and Decision 12/2012 amending Decision No 4/2010 on ancillary system settlement procedures in TARGET2-SK. By these decisions, the implementation in Slovakia of ECB Guideline ECB/2012/27 was completed.

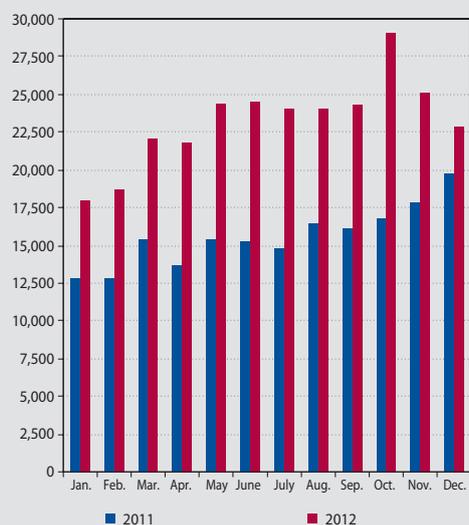
5.2.2 PAYMENTS EXECUTED VIA TARGET2-SK

By the end of 2012 TARGET2-SK had 33 participants, comprising 30 direct participants (including Národná banka Slovenska) and three

¹⁷ Act No 429/2009 Coll. repealed Act No 510/2002 Coll. on the payment system as amended.

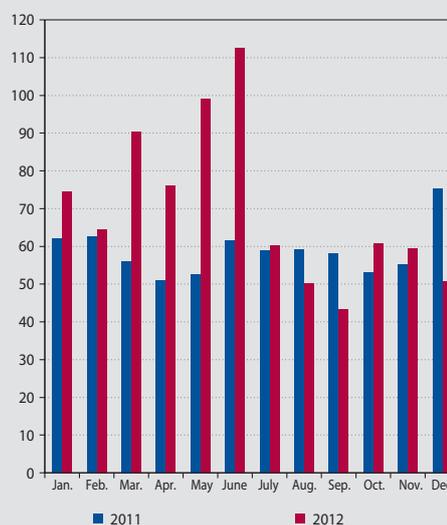


Chart 22 Number of transactions processed in TARGET2-SK



Source: NBS.

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



Source: NBS.

ancillary systems: the SIPS system; the Central Securities Depository of the Slovak Republic; and First Data Slovakia, a private company. The number of direct participants decreased by two in 2012.

In 2012 the TARGET2-SK system processed almost 279,000 transactions with a total value of over €840 billion. In comparison with 2011, the TARGET2-SK traffic increased in volume by 48.74% (or 91,000 transactions) and in value by 18.85% (€133.3 billion). Charts 22 and 23 show, respectively, the number and value of transactions processed in TARGET2-SK in each month of 2012 and 2011.

TARGET2-SK had 256 operating days in 2012, and its average daily traffic by volume and value was 1,089 transactions and almost €3,287 million.

Looking at the payment traffic in 2012 broken down into retail and interbank transactions, customer payments have the higher share by number (73:27) while interbank payments have the overwhelmingly larger share by value (4:96).

At present 24 central banks of EU Member States are connected to TARGET2. Looking at the number of payments made by TARGET2-SK participants in 2012, 24% of the transactions were domestic, 69% were cross-border within the EU

and almost 7% were cross-border outside the EU. In terms of value, however, domestic payments account for the highest share (62:38). Chart 24 shows the composition of payments made by TARGET2-SK participants.

5.2.3 THE SIPS PAYMENT SYSTEM

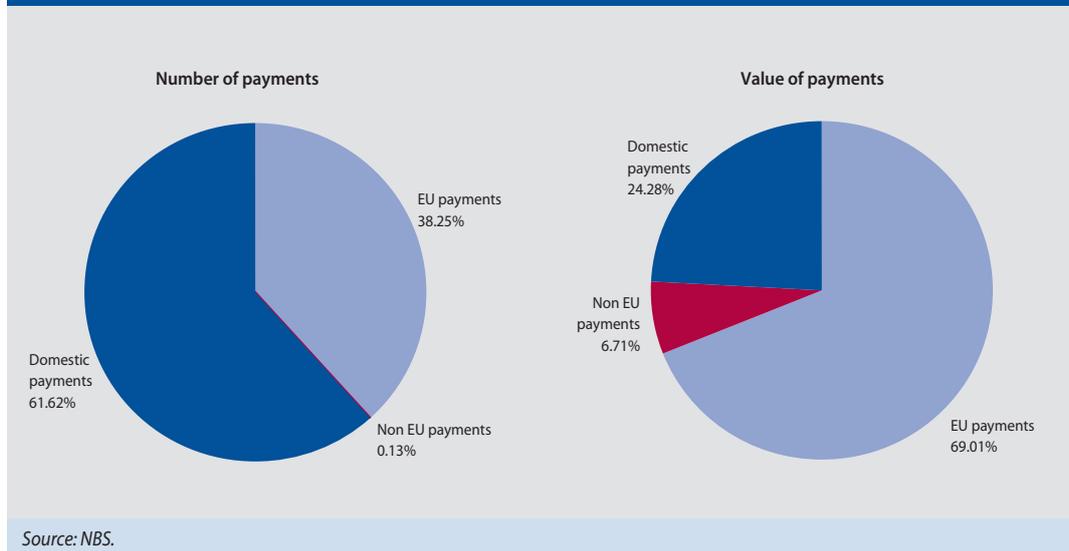
In 2012 the Slovak Interbank Payment System (SIPS) ensured the continual processing and clearing of retail euro payments. Transactions were processed in clearing cycles in SIPS that is an ancillary system of TARGET2-SK. The resulting cash positions were settled in TARGET2-SK.

As part of the implementation of SEPA payment instruments in Slovakia, the SIPS's functionality was upgraded as from 1 December 2012 to allow processing of SEPA credit transfers in Slovakia. The upgrading was carried out in accordance with a strategy approved by the NBS Bank Board and set out in the SEPA Implementation Plan.

SIPS will undergo further upgrades so as to make it fully compatible with the Single European Payment Area (SEPA). In accordance with requirements for SEPA implementation in Slovakia, as published in the SEPA Implementation Plan, SIPS will in future process also domestic SEPA direct debits as well as cross-border SEPA credit transfers and SEPA direct debits.



Chart 24 Composition of payments made by TARGET2-SK participants in 2012



5.2.4 PAYMENTS EXECUTED VIA SIPS

The number of participants in the SIPS retail payment system declined from 32 at the beginning of 2012 to 29 by the end of the year.

In 2012 SIPS processed about 180,360,000 transactions, which in line with the rising trend of recent years was 5.43% more than in 2011. However, the overall value of the processed transactions increased year-on-year by less than one percent,

to €178,387 million (compared with a rise of 7% in 2011).

Charts 25 and 26 show the number and value of transactions processed in SIPS in each month of 2011 and 2012.

5.2.5 PAYMENT CARDS

The number of bank payment cards in circulation decreased by almost 16% in 2012, to

Chart 25 Number of transactions executed in SIPS in 2011 and 2012 (millions)

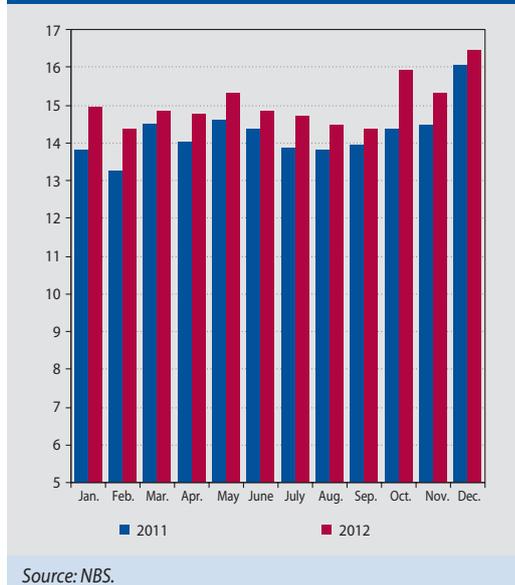
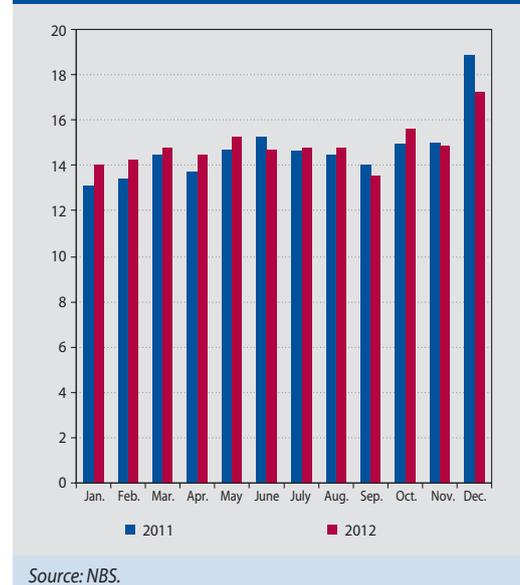


Chart 26 Value of transactions executed in SIPS in 2011 and 2012 (EUR billions)





4.59 million (from 5.35 in 2011), with debit cards accounting for 3.93 million of the total, credit cards for 0.6 million, and prepaid cards for almost 52,000.

By the end of 2012, in comparison with end-2011, the number of ATMs (2,509) had increased by 4.2% and point-of-sale (POS) terminals (37,485) by 1.3%.

5.3 COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS IN THE FIELD OF PAYMENT SYSTEMS

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

The Single Euro Payments Area (SEPA) is an initiative aimed at achieving a fully integrated European market for retail payment services in euro, with no distinction between cross-border and national payments.

The legislative framework for SEPA is Regulation (EU) No 260/2012 of the European Parliament and of the Council establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009. The purpose of the Regulation, which entered into force on 31 March 2012, is to lay down rules covering the execution of all credit transfer and direct debit transactions denominated in euro within the European Union, and rules on the use of common standards and technical requirements in payment services, such as the international bank account number (IBAN), the business identifier code (BIC or SWIFT code), and the financial services messaging standard 'ISO 20022 XML'. Under the Regulation, 1 February 2014 is set as the end-date for the implementation of SEPA payment schemes for credit transfers and direct debits, which will replace the national payment instruments currently in use.

In 2012 special attention was paid to the migration to the new SEPA instruments. According to the statistical data published on a regular basis by the ECB and European Payments Council, the share of SEPA credit transfers and SEPA direct debits in the respective total amounts in the euro area reached 30.6% and 2.1%, respectively, in November 2012.

In November 2012 the European Payments Council approved new releases of its SEPA rulebooks, namely the SEPA Credit Transfer Scheme Rulebook (version 6.1), the SEPA Core Direct Debit Scheme Rulebook (version 6.1), and the SEPA Business-to-Business (B2B) Direct Debit Scheme Rulebook (version 4.1). These new rulebooks entered into force on 17 November 2012. The SEPA Cards Framework was last updated in December 2009 with the release of version 2.1. As for the SEPA Cards Standardisation Volume – Book of Requirements, a new version (6.0) was published by the EPC in January 2012.

SEPA payment instruments are being implemented in Slovakia in accordance with the SEPA Implementation Plan for Slovakia, the current version 4.0 of which was approved first by the NBS Bank Board and then, on 23 November 2012, by the national SEPA Committee. The aim of the implementation plan is, in line with EU Regulation No 260/2012, to define the different stages of the migration to SEPA, which include setting the schedule and tasks that must be met to ensure successful implementation of SEPA in Slovakia.

ASSESSMENT OF SECURITIES SETTLEMENT SYSTEMS (SSS) AND THEIR LINKS

At approximately two-year intervals the Eurosystem conducts a comprehensive assessment of all securities settlement systems (SSSs) and links currently used for the collateralisation of Eurosystem credit operations. The second such assessment was launched in 2011 and included the Central Securities Depository of the Slovak Republic. The assessment was made on the basis of the "Standards for the use of EU securities settlement systems in ESCB credit operations". In this process Národná banka Slovenska acted both as coordinator with CDCP and as first assessor. The second assessor was Banca d'Italia. NBS also acted as second assessor for the Maltese SSS MaltaClear, as part of the dual control mechanism. In 2012 the final report was completed and recommendations were communicated.

THE EUROSYSTEM – TARGET2-SECURITIES

The development phase of the Eurosystem's TARGET2-Securities (T2S) project, a single platform for securities settlement, continued in 2012. The ECB's Governing Council took several decisions related to T2S preparations in accordance with the T2S Programme Plan. A new T2S governance



structure was established in 2012 following the signing of the T2S Framework Agreement and the signing of the Currency Participation Agreement (for central banks outside the euro area). The Eurosystem entered the Framework Agreement in 2012 with 22 central securities depositories (CSDs) including 5 non-euro area CSDs. As for the T2S Currency Participation Agreement with non-euro area central banks, only the Danish central bank signed it in 2012, undertaking to make the Danish krone available in T2S from the beginning of 2018. Consequently, not only euro transactions will be settled in T2S, but, in the future, also transactions denominated in Danish krone.

Meetings of Slovakia's T2S National User Group (NUG-SK) were held at the central bank during

2012. Information about the agendas of these meetings and the issues addressed is available at the NBS website.¹⁸ NUG-SK members were also involved in providing 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-trading, so as to maximise harmonisation in T2S.

The Eurosystem also organised several information meetings in 2012 in order to keep stakeholders informed about current progress in the T2S project.

Full details about the T2S project are available in English at the ECB website.¹⁹

¹⁸ <http://www.nbs.sk/sk/publikacie/centralna-kniznica-narodnej-banky-slovenska>

¹⁹ <http://www.ecb.int/paym/t2s/html/index.en.html>