



5 Payment services and payment systems

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).

EU regulations

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

- Regulation (EU) 2019/518 amending Regulation (EC) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges;
- 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 identifier code converter; and Decree No 6/2013 on direct debit creditor identifiers and the register of direct debit creditor identifiers.

Alternative dispute resolution

Consumer disputes related to the provision of payment services under the Payment Services Act may be resolved through the alternative dispute resolution (ADR) body run by the Slovak Banking Association (SBA). This body has been operating since the abolition of the SBA's Permanent Court

of Arbitration. It is the consumer that decides which ADR body will be venue for out-of-court dispute resolution. Consumers that are legal persons may have recourse to arbitration or another alternative dispute resolution mechanism for the resolution of disputes related to the provision of payment services.

5.2 Payment systems in Slovakia

5.2.1 TARGET2 and TARGET2-SK

Since 2009 Národná banka Slovenska has been operating the [TARGET2](#) component system known as TARGET2-SK (T2-SK). In 2019 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.

Apart from TARGET2, there are two other components of the Eurosystem's Target Services: [TARGET2 -Securities \(T2S\)](#) and [TARGET Instant Payment Settlement \(TIPS\)](#). T2S is a technical platform that enables the smooth cross-border settlement of securities transactions. To use T2S, a market participant needs to have a securities account with one of the central securities depositories (CSDs) connected to T2S and a dedicated cash account (DCA) with one of the central banks connected to the platform. DCAs are used solely for the settlement in central bank money of the cash leg of the securities transactions. TIPS is a pan-European platform that enables the safe settlement of instant payments in euro, around the clock, every day of the year.

In June 2019 NBS organised a working meeting with T2-SK participants, mainly in order to inform them about the following:

- changes concerning SSP Release 13.0, including the migration from SWIFT Browse to SWIFT WebAccess and the activation of the expanded

Enhanced Contingency Solution (ECONS I), a new solution for dealing with unforeseen events in T2-SK; the new software release went live on 18 November 2019;

- the ongoing T2/T2S Consolidation project focused mainly on developing new services for participants – in the areas of liquidity management and real-time gross settlement (RTGS) services – as well as on adapting existing services to participants’ changing needs; this project is due to go live on 22 November 2021.

NBS adopted and published the following decisions on 12 November 2019:

- Decision 20/2019 amending Decision No 4/2010 on settlement procedures for TARGET2-SK ancillary systems, as amended;
- Decision No 21/2019 amending Decision No 7/2015 on conditions for opening and administering PM accounts in TARGET2-SK, as amended;
- Decision No 22/2019 amending Decision No 9/2018 on conditions for opening and administering TIPS dedicated cash accounts (TIPS DCAs) in TARGET2-SK;
- Decision No 23/2019 amending Decision No 10/2018 on conditions for opening and administering T2S dedicated cash accounts (DCAs) in TARGET2-SK.

5.2.2 Payments processed by TARGET2-SK

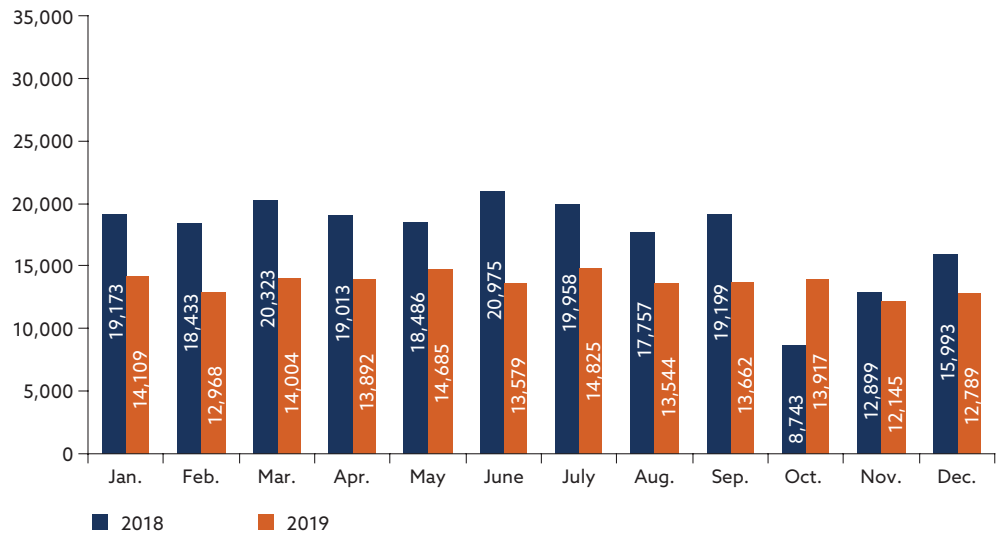
In 2019 T2-SK had 36 participants, including 32 direct participants and the following four ancillary systems: the Slovak Interbank Payment System; SIA Slovakia, a.s., and two central securities depositories – Centrálny depozitár cenných papierov SR, a.s. (CDCP) and Národný centrálny depozitár cenných papierov (NCDCP). No new participants joined T2-SK in 2019.

As Charts 35 and 36 show, in 2019 T2-SK processed more than 160 thousand transactions with a total value of over €600 billion. Compared with 2018, T2-SK traffic fell in number by more than 20% (almost 47 thousand transactions) but increased in value by 14% (over €76 billion).

T2-SK had 255 operating days in 2019, and its average daily traffic by number and value was 644 transactions and more than €2.3 billion.

Chart 35

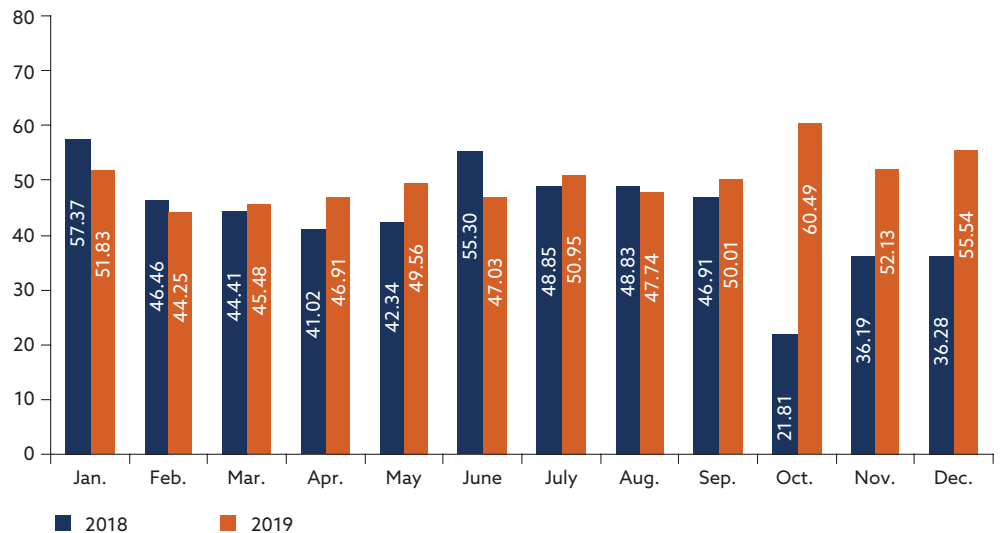
Number of transactions processed by T2-SK in 2018 and 2019



Source: NBS.

Chart 36

Value of transactions processed by T2-SK in 2018 and 2019 (EUR billions)



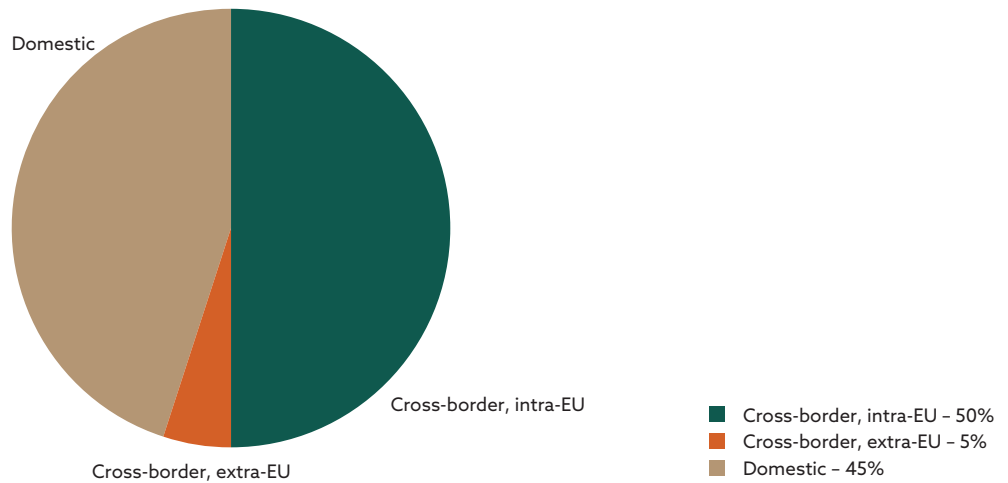
Source: NBS.

The breakdown of payment traffic between customer and interbank transactions followed the same pattern in 2019 as in previous years: customer payments had the higher share by number (62:38) and interbank payments predominated in terms of value (6.5:93.5).

The number of EU national central banks connected to TARGET2 remained unchanged in 2019, at twenty-four. Of the total number of payments sent by T2-SK participants in 2019, 45% were domestic and 55% were cross-border. Domestic payments accounted for 55% of the total value of payments, and cross-border payments for 45% (see Charts 37 and 38).

Chart 37

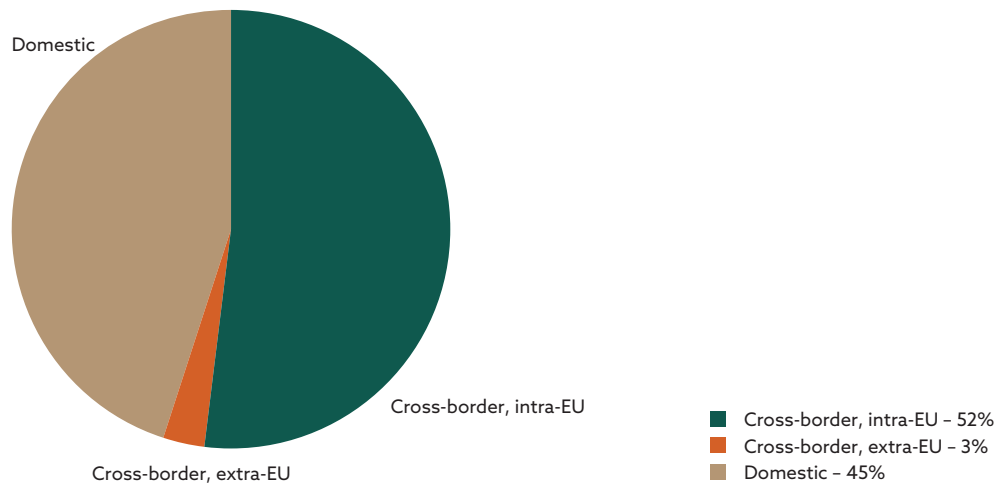
Number of payments sent by T2-SK participants in 2019 broken down by destination



Source: NBS.

Chart 38

Value of payments sent by T2-SK participants in 2019 broken down by destination



Source: NBS.

5.2.3 The Slovak Interbank Payment System (SIPS)

Ongoing SIPS modernisation

The Slovak Interbank Payment System is a retail payment system used for the processing and clearing of payments in euro. Operated by Národná banka Slovenska, SIPS processes domestic SEPA 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 SIPS, 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.

During 2019 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 2019 NBS continued the modernisation of the SIPS clearing centre. The modernised clearing centre module, equipped with upgraded information technology, is due to be launched in May 2020.

Another task of NBS is to issue 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 that NBS has been maintaining since 2013. A total of 502 creditor identifiers were issued in the years from 2013 to 2019.

5.2.4 Payments processed by SIPS

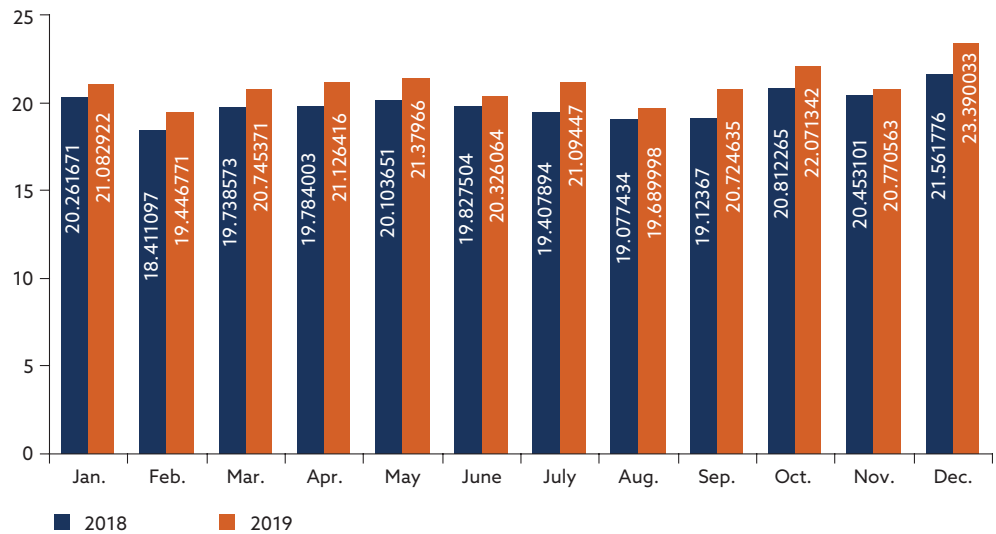
SIPS statistics

The number of SIPS participants remained unchanged in 2019. Of the 25 payment service providers participating in SIPS, 22 were domestic and three were foreign.

In 2019 SIPS processed more than 251.6 million transactions with a total value of almost €281.4598 billion (the monthly breakdowns of these figures are shown in Charts 39 and 40). Compared with the previous year, the number of transactions increased by more than 5.5% and the value of transactions maintained its uptrend with a rise of almost 5%.

Chart 39

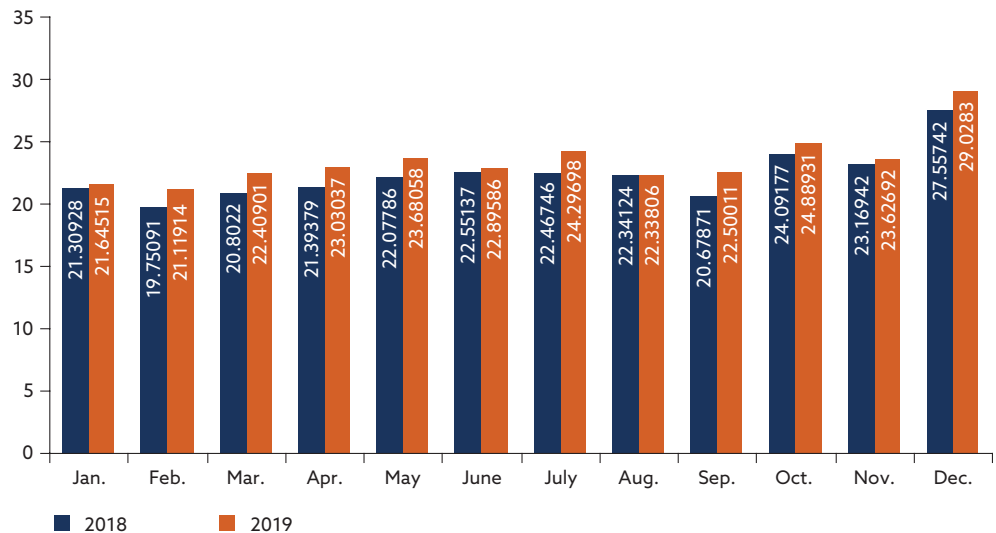
Number of transactions processed by SIPS in 2018 and 2019 (millions)



Source: NBS.

Chart 40

Value of transactions processed by SIPS in 2018 and 2019 (EUR billions)

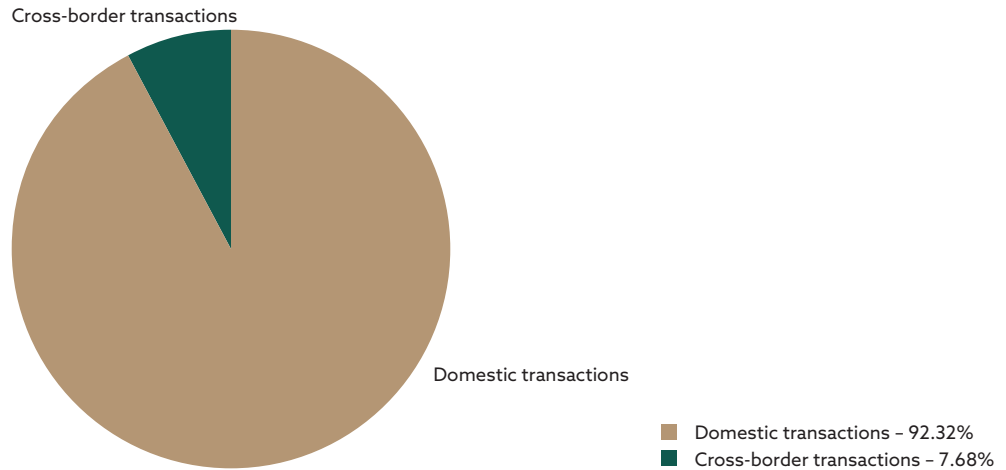


Source: NBS.

Following the full implementation of the Single European Payments Area (SEPA) in the euro area in 2014, the total number of transactions processed by SIPS has included an increasing share of cross-border SEPA transactions. This share rose to 7.7% in 2019 (up from 7.16% in 2018), while the share of cross-border SEPA transactions in the total value of SIPS transactions was 1.1% lower in 2019 than in the previous year, at 26.8% (see Charts 41 and 42).

Chart 41

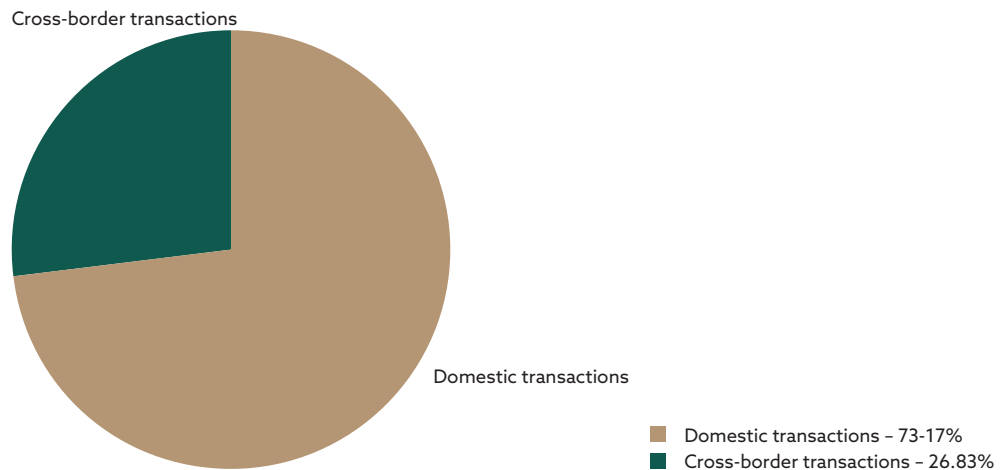
Number of SIPS transactions in 2019 broken down by domestic transactions and cross-border transactions



Source: NBS.

Chart 42

Value of SIPS transactions in 2019 broken down by domestic transactions and cross-border transactions



Source: NBS.

As regards the breakdown of cross-border SEPA transactions between credit transfers and direct debits, credit transfers predominate in terms of both number (93% versus 7% in 2019) and value (99.4% versus 0.6%).

5.2.5 Payment cards

Valid payment cards issued by banks in Slovakia numbered 5,323,720 at the end of 2019, representing a year-on-year increase of almost 2%. The vast majority of these cards were either VISA or MasterCard cards, and virtually all (99%) of them featured contactless technology.

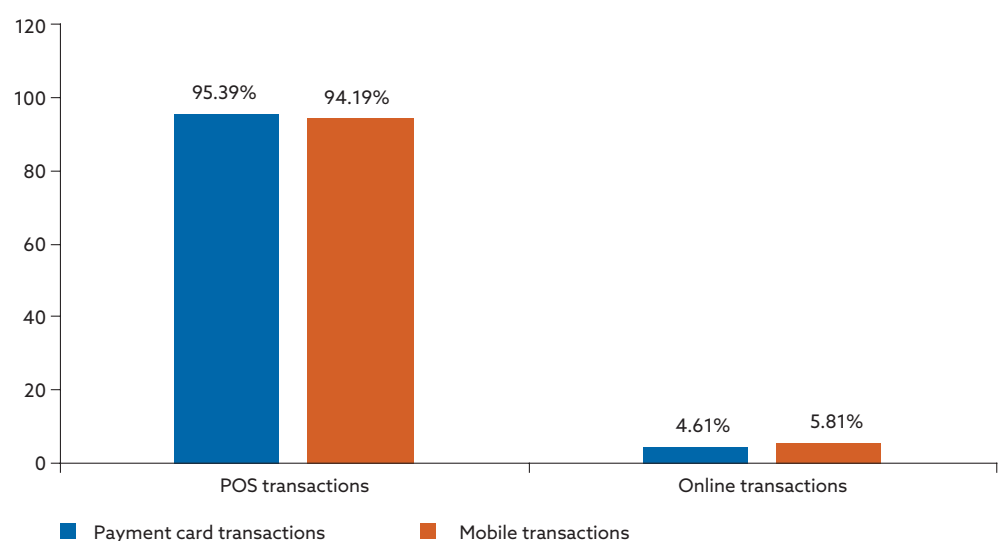
The number of transactions conducted by domestically issued payment cards in 2019 was almost 629 million, of which close to 64% were contactless payments. The total value of payment card transactions was more than €28.4 billion. Compared with the previous year, the number and value of transactions increased by 11.8% and 5.3% respectively. Almost 85% of the transactions were carried out in Slovakia, and these transactions accounted for more than 87% of the total value of card transactions. Most of the card payments in 2019 were payments at point-of-sale (POS) terminals.

The number of automated teller machines in Slovakia (ATMs) at the end of 2019 was unchanged year on year, at 2,778. Compared with 2018, the number of ATM withdrawals dropped by 1.2%, but the total value of money withdrawn increased by 3%, to almost 15.5 billion. The average withdrawal amounted to €165. The total value of ATM deposits in 2019 was €1.9 billion.

By the end of 2019 there were 57,845 POS terminals operating in Slovakia and a total of 3,643 domestically based merchants that accepted online card payments – 746 more than did so at the end of 2018. The total number of online card payments in Slovakia in 2019 was almost 19 million, and their total value was almost €0.77 billion. The total number and total value of card payments to brick-and-mortar and online merchants were 412 million and €9.4 billion, representing respective increases of 33.69% and 32.97%. Looking at the combined payment card usage for POS/online payments and ATM withdrawals in 2019, POS/online payments accounted for 85% of the total number of transactions while ATM withdrawals continued to account for more than 50% of the total value (see Charts 43 and 44).

Chart 43

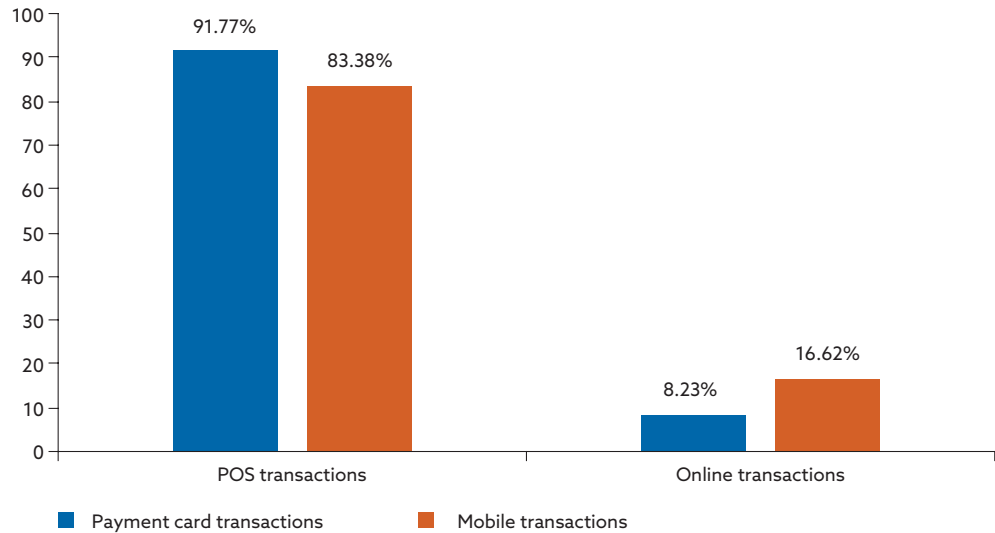
Shares of payment card and mobile transactions in the number of POS and online transactions in 2019



Sources: banks and foreign bank branches.

Chart 44

Shares of payment card and mobile transactions in the value of POS and online transactions in 2019



Sources: banks and foreign bank branches.

In 2019 the majority of banks in Slovakia made the digital wallet platforms Google Pay and Apple Pay available to their MasterCard and VISA cardholders. Some banks also started supporting the smartwatch apps Garmin Pay and Fitbit Pay. The gradual introduction of these services during the year was reflected in the sharply increasing number of transactions made using these apps, from 0.8 million in the first quarter of 2019 to more than 6.6 million in the fourth quarter. Overall in 2019, domestically issued payment cards were used for more than 13.6 million mobile payments, and the total value of these transactions was almost €262 million. The tendency to use mobile payments for low-value transactions was evident in 2019, with the average value of mobile payments amounting to €19.25 and the average value of physical card payments amounting to €45.80.

5.3 Cooperation with international financial institutions

Assessment of SSSs and links between SSSs

In order to settle its credit operations based on adequate eligible collateral, the Eurosystem assesses the eligibility of securities settlement systems (SSSs) and links between SSSs for use in Eurosystem credit operations. A CSD-operated SSS or link that receives a positive assessment is considered eligible for use in Eurosystem credit operations.

Under their new assessment regime, SSSs and links undergo a two-stage assessment based on:

- a) [the EU's Central Securities Depository Regulation](#) (Regulation (EU) No 909/2014), which lays down uniform requirements for the settlement of financial instruments in the EU; and
- b) additional Eurosystem requirements, compliance with which should be ensured by regulatory or contractual arrangements.