



THE PAYMENT SYSTEM IN THE SLOVAK REPUBLIC IN 2005

SELECTED AREAS

As one of its basic functions, the National Bank of Slovakia ensures the smooth and efficient operation of the payment and settlement systems in Slovakia and the oversight of these systems. This article focuses on two areas where this function is carried out. First, the operational evaluation of the SIPS payment system in 2005, which includes statistical information on the number and value of transactions processed by this system. The other area is information on the issue and use of bank payment cards, as well as statistical data on the number and value of payment transactions made with such cards.

The SIPS interbank payment system in 2005

One of the NBS's most important tasks concerning the payment system in Slovakia is to ensure the operation of the Slovak Interbank Payment System (SIPS). As at the end of 2005, this system had 28 participants, including 26 direct participants and 2 indirect participants (so called the third parties). The number of direct participants increased during 2005 with the addition of two branches of foreign banks (Banco Mais SA and HSBC Bank plc.) operating in Slovakia on the basis of one banking licence.

SIPS did not undergo any changes to its basic functions in 2005, and the NBS continued the system's operation with the objective of making the processing and settlement of interbank payments increasingly secure and smooth.

Payments made through SIPS

The total number of transactions made in SIPS during 2005 came to almost 120 million. That represented an increase of almost 10.12%, confirming the trend of stable growth in recent years.

The value of processed transactions recorded exceptional growth. From SKK 40,692 bn for 2004, it increased to around SKK 80,000 bn for 2005, an almost twofold rise. This substantial increase is related to transactions on the interbank money market

Chart 1 Comparison of the number of transactions made in SIPS in 2003, 2004 and 2005

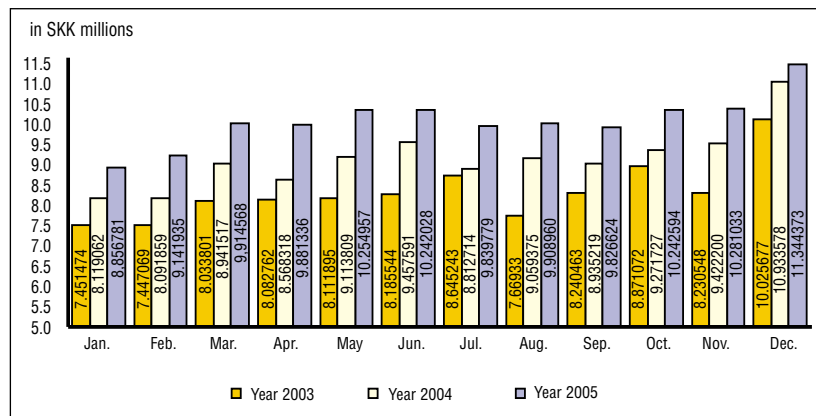
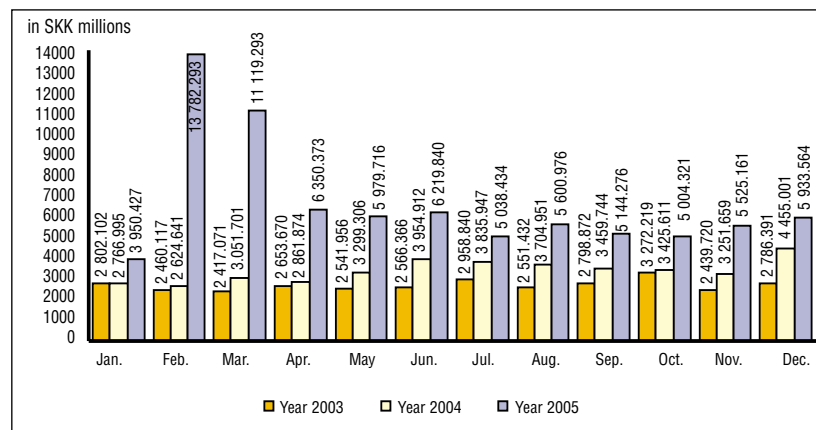


Chart 2 Comparison of the value of transactions made in SIPS in 2003, 2004 and 2005



and the use of monetary instruments to implement NBS monetary policy (interventions, open market operations).

In comparison with the previous year, there was a substantial change in the utilization of priority payments. From among all types of transactions, customer and interbank priority credit transfers recorded the greatest dynamics. The total number of priority

Chart 3 Individual types of payments by share of the value processed transactions in 2004

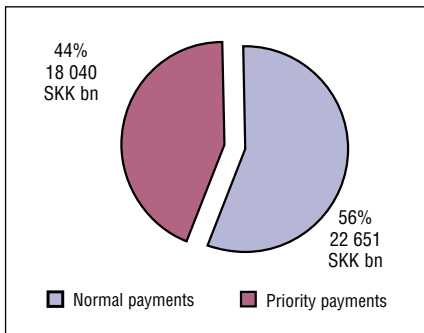
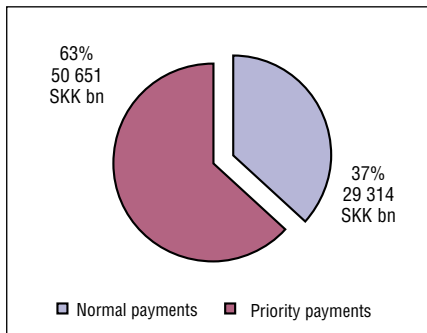


Chart 4 Individual types of payments by share of the value processed transactions in 2005



Information on the number and value of transactions processed in SIPS is published on the NBS web site and is updated on a daily basis at 15.50.

During bank holidays, public holidays and non-working days, the payment system is closed and system maintenance is carried out. There were 250 working days in 2005. Per day, SIPS processed and settled an average of 479,000 pay-

payments processed in 2005 stood at 156,000, up from 71,000 in 2004 for an increase of 120%.

Priority payments as a share of the total number of effected transactions represented only 0.13%. Normal payments accounted for the rest. Although priority payments were very low in number, their value represented in excess of SKK 50,334 bn, which accounts for more than 63% of the value of all processed transactions. Whereas in 2004 the ratio of the value of normal payments to the value priority payments stood at 56:44, in 2005 it swung around to 37:63 in favour of priority payments (see charts 3 and 4).

ments with a total amount of SKK 319 bn and an average value per transaction of approximately SKK 665,000.

A better picture of these figures is provided by the following piece of data: payments with a cumulative value equivalent to Slovakia's GDP for 2005¹ were processed and settled by SIP approximately every 4.5 days.

In 2005, the NBS provided SIPS participants upon request with intraday credit in a total amount of more than SKK 2,417 bn. The amount of intraday credit was tracked on a weekly basis, and the average weekly amount of the credit came to SKK 46,484 bn.²

Chart 5 Amount of intraday credit provided in 2005

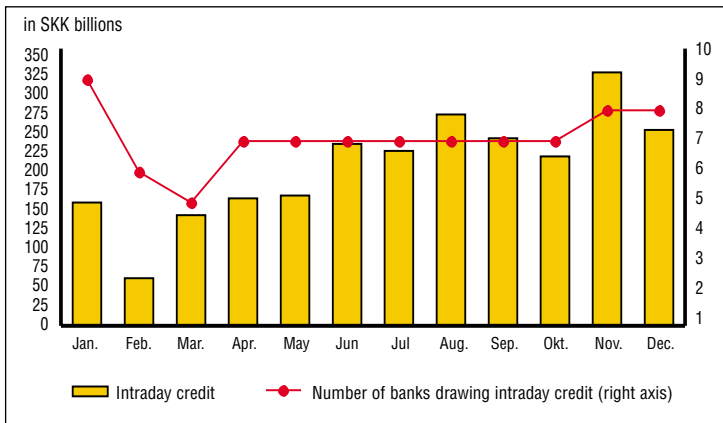
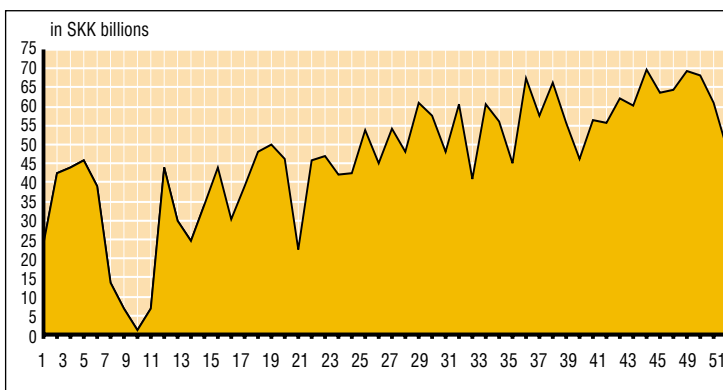


Chart 5 shows the amount of intraday credit provided in individual months of 2005 and the number of participants who requested this credit. Chart 6 shows the weekly development in the amount of intraday credit provided during the period under review.

Contingency testing

Contingency testing of the transmission of data was carried out by the NBS at the end of 2005. This compulsory testing involved all the payment system participants and was conducted in accordance with a schedule laid down in advance. The aim of the testing was to verify the technical, personnel and organizational preparedness of SIPS

Chart 6 Amount of intraday credit provided in 2005 (weekly figures)



¹ The GDP for 2005 amounted to SKK 1,439.8 bn, according to data from the Statistical office of the Slovak Republic (www.statistics.sk).

² The amount of provided intraday credit is deemed to be the value of the securities less the deduction that the NBS accepted from participants as collateral for the credit. The maximum weekly limit is set, up to which participants may draw down the intraday credit. The actual drawing of the credit is not at present subject to statistical tracking.



participants in regard to the use of transmission of data. This applies where a participant cannot receive delivery through the standard electronic route due to, for example, a failure of their software or the NBS's software, or a failure of the data transmission infrastructure (the data network NBS UNIVERZAL-NET® or the provider's telephone equipment, and so on).

SIPS participants are required to perform a contingency testing at least one time per year, under the Agreement on the Slovak Interbank Payment System that the NBS concluded with each participant. The first testing was led by the NBS, and further testing will be conducted on an individual basis under the agreement between the participant and the NBS. The procedures for using contingency testing are laid down in the SIPS operating manual.

Outlook for 2006

Preparatory work on expanding the functionality of the SIPS system continued in 2005. This involved preparation of the project for the automated provision of intraday credit and the management of hold queues of priority payments, which are to be implemented during the course of 2006. This project is also addressing the capacity of SIPS to execute requests related to the making of monetary interventions, possibly arising from the Slovak koruna's entry into ERM II in November 2005.

The aims of the SIPS functionality expansion project include the implementation of technological changes that should increase security and reliability for the transition of SIPS operation from main technological centre to the backup technological centre. Another aim is to increase the system's capacity for processing and transmitting data on priority payments, as well as potentially to modify the time schedule for the operation of the interbank payment system.

Payment instruments

Among the most used instruments of the non-cash payments are credit transfers and electronic payment instruments. The most used electronic payment instruments are remote access payment instruments – especially bank payment cards and payment applications of electronic banking, which make it possible for clients to draw funds from a bank account by means of

electronic communication media (for example, internet banking, home banking or telephone applications).

The number of bank payment cards in circulation stood at 4,036,867 as at 31 December 2005, which represents an increase of 11% in comparison with 2004.

Banks are issuing bank payment cards of the card associations VISA (VISA and VISA Electron) and MasterCard Europe (MasterCard and Maestro), American Express, Diners Club, and the ZBK domestic bank payment cards. In Slovakia, bank clients may use a network of 1,855 ATMs and 18,981 EFTPOS payment terminals.

In 2005, the holders of bank payment cards made more than 108 million transactions with a total value in excess of SKK 247 bn. In comparison with 2004, the number of transactions increased by 9% and the value of transactions by 18%. Cards may be used not only for traditional transactions such as cash withdrawal or payment, but also for other payment transactions (e.g. making a transfer order).

The number of ATM cash withdrawals made in 2005 stood at 75.288 million and they had a total value of SKK 213.89 bn. This represents a 3% rise in the number of withdrawals and a 14% increase in the value.

Charts 7 and 8 show how the number and value of ATM cash withdrawals developed between 1993 and 2005.

Chart 7 Number of ATM transactions (in thousands)

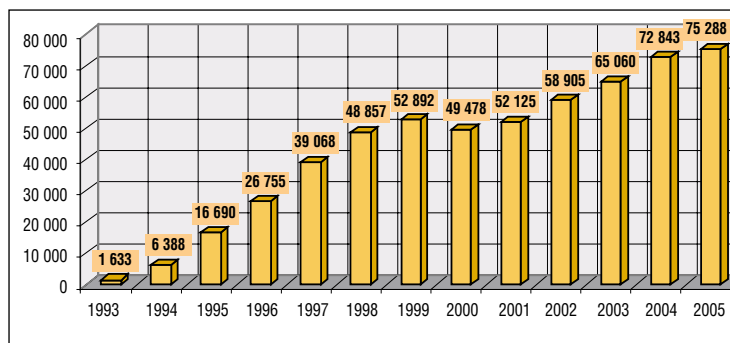


Chart 8 Value of ATM transactions (in SKK millions)

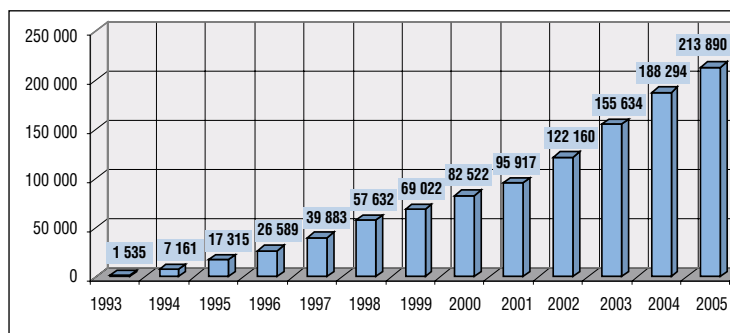




Chart 9 Number of EFTPOS transactions (in thousands)

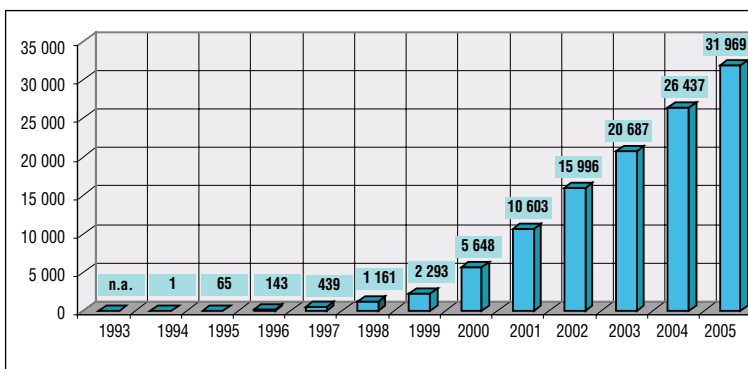


Chart 10 Value of EFTPOS transactions (in SKK millions)

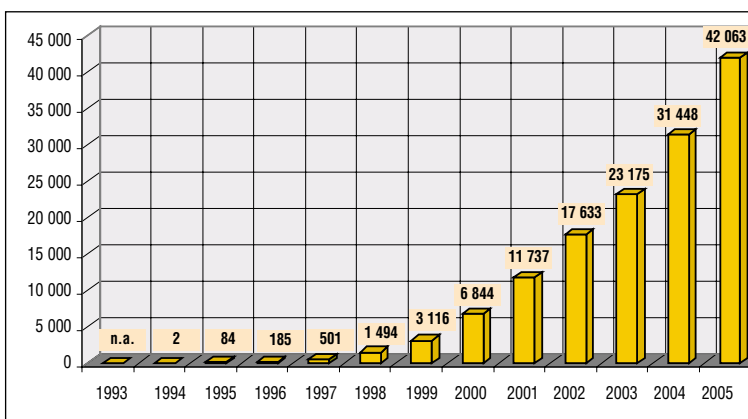


Chart 11

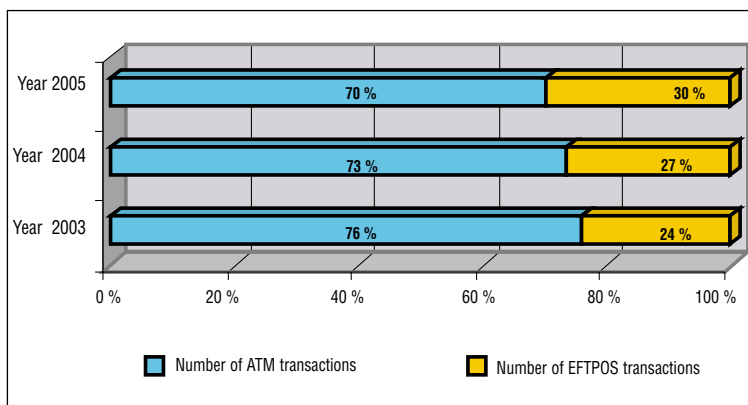
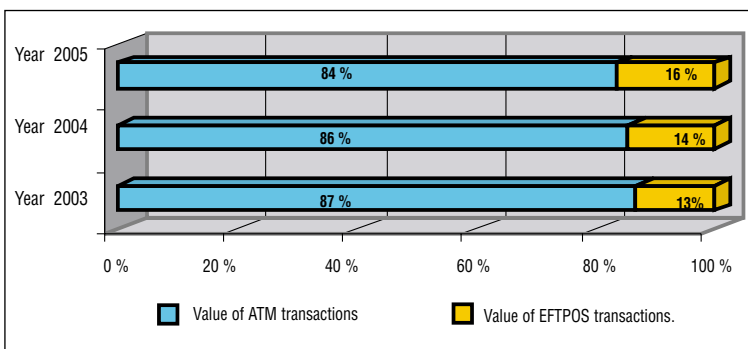


Chart 12



In 2005, a total of 31.969 million payments were made using EFTPOS terminals and their combined value came to SKK 42.063 bn, which compared to 2004 represents an increase of 21% in the number of payments and 34% in the value.

A clear trend in the acceptance of bank payment cards is the increase in the number of EFTPOS terminals in comparison with that in the number of ATMs. In 2005, the former rose by 17% year-on-year and the latter by 9%. The development in the number and value of EFTPOS payments during the period 1993 to 2005 is compared in charts 9 and 10, respectively.

The number of ATM cash withdrawals continued to outstrip payments as a percentage of the total number of withdrawals and payments (70% to 30% in 2005, 73% to 27% percent in 2004, and 76% to 24% percent in 2003). The value of ATM cash withdrawals as a percentage of the total value of withdrawals and payments came to 84% in 2005, from 86% in 2004 and 87% in 2003, while the value of payments represented 16% in 2005, 14% in 2004 and 13% in 2003. There is a gradually rising trend in payment by payment cards compared with cash withdrawals. A percentage comparison of the number and value of withdrawals and payments is given in charts 11 and 12.

The authors of this article are on the staff of the Payments System Department of the NBS.