



# **National plan for the implementation of instant payments in the Slovak Republic**

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## **CONTENTS:**

- 1. Preamble**
- 2. Legislative framework and rules of the SCT Inst scheme**
- 3. Payment infrastructures**
- 4. Specificities of implementing instant payments in Slovakia**
- 5. Conditions for the implementation of instant payments in Slovakia**
- 6. Plan for the implementation of instant payments in Slovakia**
- 7. Final provisions**

## **ANNEXES:**

1. Payment service provider's declaration of adherence to the National plan for the implementation of instant payments in the Slovak Republic

## 1. Preamble

Payment cards and SEPA credit transfers are currently the most widely used cashless payment methods in Slovakia. Of all cashless payments carried out by customers in Slovakia in 2018, payment cards represented 51%, SEPA credit transfers 46% and SEPA direct debits 3%. The number of SEPA credit transfers and card payments is increasing every year. The popularity of card payments is growing every year at the expense of cash due to cards' ease of use facilitated by contactless chip technology and the growing acquiring network, including E-commerce merchants.

New innovative solutions for payments in closed systems and on merchant platforms operated by tech giants already allow payees to receive executed payments in a matter of seconds. One way that payment service providers (hereinafter 'PSPs') could achieve the desired speed of payments would be to shift from SEPA credit transfers to SEPA instant payments, making the processing of payments quicker and opening new opportunities for innovative solutions for payments between retail customers (PersonToPerson), payments between retail customers and merchants/companies for goods and services both in brick-and-mortar stores and online (PersonToBusiness, BusinessToPerson), payments between companies (BusinessToBusiness), as well as for state administration payments.

SEPA instant payments are electronic payments that ensure the immediate transfer of funds from payers to recipients. Instant payments will increase settlement speed of euro payments in EU Member States. When executing SEPA credit transfers today, funds are credited to the recipient within several hours, on the next working day at the latest. Instant payments are executed 24 hours a day, 7 days a week, 365 days a year, so the recipients have access to the funds on their account within seconds.

In order to prevent fragmentation of the EU market for payments, the Euro Retail Payments Board (hereinafter 'the ERPB') has identified the need to implement a pan-European instant payment solution in euro and invited the European Payments Council (hereinafter 'the EPC'), representing the European PSPs, to develop a common set of standards for a new instant euro payment scheme. The ERPB defined instant payments as "electronic retail payment solutions available 24/7/365 that result in the immediate clearing of the transactions and crediting of the payee's account with confirmation to the payer within seconds, irrespective of the underlying payment instrument used and of the underlying arrangements for clearing and settlement".

In November 2016, the EPC published the first version of the document "SEPA Instant Credit Transfer rulebook" which set the initial standards for the instant payment scheme.

Instant payments provide primarily benefits for customers, who expect transferred funds to be immediately available to the recipient. They will enable consumers to carry out cashless instant credit transfers between natural persons and new innovative types of payment using smart devices. Also, they will allow a quick "emergency" payment to be made at any time. For businesses, instant payments can reduce late payments and speed up the payment of invoices, making it easier to manage cash flow and minimising the need for external financing to cover temporary insolvency. They will also speed up e-commerce processes and make them more efficient, in particular in the last phase of purchases, by eliminating the risk of not getting paid. In state administration, instant payments will accelerate the payment of taxes, social insurance and other administrative fees.

Due to their speed and simplicity, instant payments could replace not just SEPA credit transfers, but chiefly cash payments and, to a certain extent, card payments.

Slovak PSPs monitor payment innovations and the process of implementing instant payments in other European countries. Motivated by the desire to continue providing modern payment services to their customers and not lag behind developments in other European countries, they decided to implement instant payments in Slovakia. The objective of the National plan for the implementation of instant payments in the Slovak Republic (hereinafter 'the National plan') is not only to provide basic information on instant payments, but in particular to determine national specificities of instant payments and set a plan for their implementation in Slovakia.

With the aim of coordinating the implementation of instant payments, the National plan is the result of joint efforts of the Slovak banking sector represented by the Slovak banking association (hereinafter 'the SBA'), the Ministry of Finance of the Slovak Republic (hereinafter 'the Ministry of Finance'), the State Treasury and Národná banka Slovenska (hereinafter 'NBS'). The aim is to implement instant payments in Slovakia in the agreed timeline and under the stipulated national conditions.

The National plan is not of a binding nature and the Slovak PSPs' adherence thereto is optional. PSPs adhere to the National plan by delivering to NBS a written declaration signed by the PSP's statutory bodies (a template of the Payment service provider's declaration of adherence to the National plan for the implementation of instant payments in the Slovak Republic forms Annex No 1 hereto).

The National plan does not concern customer fees, the PSPs' business strategy, nor the process for handling complaints related to instant payments in Slovakia.

## **2. Legislative framework and rules of the SCT Inst scheme**

The provision of payment services in Slovakia is governed by [Act No 492/2009 on payment services](#). SEPA Instant Credit Transfers (hereinafter 'SCT Inst') are based on the SEPA credit transfer (hereinafter 'SCT') scheme implemented by [Regulation \(EU\) No 260/2012](#) that set the final deadlines for the replacement of national transfers in euro by SEPA credit transfers.

Instant payments require the following three layers:

- **scheme layer** sets the rules and technical standards for the execution of instant payments;
- **clearing and settlement layer** ensures the clearing and settlement of instant payments;
- **end-user solution layer** provides for the efficient use and inclusion of instant payments to payment solutions for consumers and companies.

### **• The SCT Inst scheme**

The EPC developed a new payment scheme for SEPA Instant Credit Transfers (hereinafter 'the SCT Inst scheme'), making it available to PSPs on 21 November 2017. The participation in the SCT Inst scheme is optional.

### **• The scheme's basic parameters**

SCT Inst transfers are based on the SCT scheme. Until the end of June 2020, they will support euro payments of up to €15,000. As of 1 July 2020, the maximum transaction limit will increase

to €100,000. The funds are made available to the recipient immediately, within 10 seconds at the latest, meaning that the recipient's PSP will provide the PSP of the payer with an instant confirmation as to whether the funds have been credited to the payee's account or whether the payment has been rejected. All scheme participants must be technically capable of continuous processing of SCT Inst transfers 24/7/365 without impacting their operations.

Individual scheme participants have the option to agree on special conditions for the execution of instant payments, i.e. increase the maximum limit for instant payments or decrease the time needed for these to be credited to the recipient's account. Such conditions can be agreed on by the participants e.g. at the level of a country in the form of the national standard.

- **Geographical scope**

From the geographical point of view, the scheme is available in 36 SEPA countries (28 EU Member States and Iceland, Norway, Liechtenstein, Switzerland, Monaco, San Marino, Andorra, and the Vatican). PSPs can therefore provide instant payment services to end users on a pan-European basis.

- **Adherence policy**

In order for PSPs to adhere to the SCT Inst scheme, they must at least be able to receive instant payments from another scheme participant in the EU. The provision of instant payments to customers depends on the providers' capability to receive and initiate such payments.

PSPs that seek to adhere to the SCT Inst scheme must send their application to a National Adherence Support Organisation (hereinafter 'NASO'); in Slovakia, the role of a NASO is fulfilled by the SBA. NASOs are administrative points of contact for PSPs submitting their national applications as part of the adherence process to the EPC-managed SEPA schemes, including the SCT Inst scheme. A NASO may help to speed up the administrative process, but in so doing, it does not take on any legal responsibilities related to the adherence of a PSP to SEPA schemes.

A PSP wishing to join the scheme shall sign the [SEPA Instant Credit Transfer Adherence Agreement](#), declaring its "readiness date" in accordance with the requirements set out in the rulebook. The EPC shall set the "operational start date". All documents are available on the EPC website. The communication and signing of the [adherence documents](#) is liaised by the SBA.

As at 28 October 2019, there were 2,069 PSPs from 21 EU countries participating in the SCT Inst scheme, representing 51% of all PSPs. The current number of PSPs participating in the SCT Inst scheme is available on the EPC website ([Number of SCT Inst scheme participants, Register of participants](#)).

- **Documents**

Detailed scheme specifications and conditions are set out in the document [2017 Single Euro Payments Area Instant Credit Transfer Rulebook version 1.2](#) which is effective from 1 January 2019 until 17 November 2019 at 08:00 CET.

On 17 November 2019 (after 08:00 CET), the document [2019 Single Euro Payments Area Instant Credit Transfer Rulebook version 1.0](#) entered into force.

The maximum amount per instant payment (currently €15,000) is defined in a [document](#) which forms a supplement to the rulebook and which was published on 22 November 2018. The maximum amount is revised every two years. On 10 September 2019 the EPC decided to increase the maximum amount to €100,000 with effect from 1 July 2020.

Where a participant cannot process instant payments in a normal way, a message called an R-transaction is sent. Rules regarding the use of codes for instant payment R-transactions are governed by a special [document](#) which forms a supplement to the rulebook and which took effect on 17 November 2019 (after 08:00 CET).

### 3. Payment infrastructures

For the clearing and settlement of instant payments, PSPs can choose from the available [payment infrastructures](#) that provide these services across SEPA. As part of other services within TARGET2, the Eurosystem offers a service for the processing of instant payments called **TIPS** – Target Instant Payment Settlement.

At the moment, banks in Slovakia process SEPA credit transfers using the **SIPS** payment system, which is operated by NBS and constitutes an ancillary system of TARGET2, as well as **TARGET2**, which is operated by the Eurosystem, and **STEP2** operated by EBA Clearing.

The NBS's Bank Board decided that the SIPS payment system will not be modified for instant payments. In order to efficiently process instant payments, PSPs should aim to use only one payment infrastructure. NBS operates the previously mentioned TIPS for this purpose.

PSPs in Slovakia prefer to use the TIPS service to process instant payments, benefiting from their current membership in TARGET2 and, in the future, from consolidation projects related to the services provided within TARGET.

TIPS offers:

- a technical solution for the settlement of instant payments for TARGET2 participants compliant with the SCT Inst scheme; transactions are processed within 10 seconds;
- individual processing of instructions (not in batches);
- confirmation of the payment execution to both the payer and payee;
- settlement of instant payments on the participant's Dedicated Cash Account (hereinafter 'TIPS DCA'); each participant wishing to provide instant payment settlement in TIPS needs to open such an account.

The liquidity in DCA accounts is sourced from [PM accounts](#) in TARGET2; these accounts are maintained by Eurosystem central banks, they are owned by TARGET2 participants and are used for submitting instructions or receiving and settling payments through TARGET2.

Reasons to choose TIPS:

- TIPS participants will be able to manage and monitor their liquidity operations more efficiently;
- TIPS account balances will count towards the minimum reserve calculations, thus allowing participants to benefit from a more centralised approach to liquidity management;
- liquidity of TIPS DCA accounts can be monitored and managed via a GUI in TARGET2;
- centralised account structure for different TARGET services;
- by offering instant settlement in central bank money with immediate finality, safety is increased, and credit risk eliminated, for all participants.

### 4. Specificities of implementing instant payments in Slovakia

In the provision of instant payments Slovak PSPs will comply with the requirements of the SCT Inst scheme and adhere to the following rules on national and cross-border payments in euro:

- instant payments must be processed, and funds credited to the recipient's account within 10 seconds;
- the maximum amount per instant payment is €15,000; as of 1 July 2020, the maximum amount will increase to €100,000;
- instant payments will be processed 24/7/365;
- PSPs will process instant payments using the TIPS service;
- SCT Inst transactions will use the same symbols as SCT credit transfers.

## **5. Prerequisites for the implementation of instant payments in Slovakia**

The launch of instant payments in Slovakia requires the following minimum prerequisites to be fulfilled:

- instant payments will be provided by at least three PSPs representing a significant share in the total number of credit transfers in Slovakia in the previous calendar year;
- these PSPs will process instant payments using the TIPS service.

The above are the minimum prerequisites for instant payments to be introduced in the Slovak banking market and for information on the launch of instant payments to be disclosed to the Slovak public. The common objective of all participants is that instant payments should be provided by a majority of PSPs as early as possible.

## **6. Plan for the implementation of instant payments in Slovakia**

Based on a survey conducted by NBS among Slovak PSPs, most of the PSPs plan to implement instant payments by the end of 2021. Some PSPs stated that they have not yet set a date for their planned implementation of instant payments or that they do not plan to implement the service at all.

The planned starting date of instant payments in Slovakia is 1 February 2022. This date takes into account the finalisation of activities planned as part of the T2/T2S Consolidation project.

PSPs seeking to start providing instant payments from 1 February 2022 shall confirm, on 1 February 2021 at the latest, their adherence to the National plan by submitting in writing to NBS the Payment service provider's declaration of adherence to the National plan for the implementation of instant payments in the Slovak Republic (Annex No 1).

PSPs shall report to NBS the planned date of their connection to TIPS by submitting a written request no later than six months prior to this date. Along with the request for connecting to TIPS, PSPs shall also submit the completed registration forms for opening a TIPS DAC account in the testing environment and, after completing the testing activities, also in the production environment of TARGET2-SK, in accordance with the terms set out in [Decision No 9/2018 of Národná banka Slovenska of 27 November 2018 on conditions for the opening and operation of a TIPS account \(TIPS DCA\)](#). Each participant wishing to open a TIPS DCA account shall conclude

with NBS an Agreement on the maintenance of a TARGET2-SK dedicated cash account, which sets out the contracting parties' mutual rights and obligations related to the maintenance of a dedicated cash account and terms for participation in the European payment system TARGET2-SK operated by NBS.

NBS will coordinate subsequent steps individually with each participant.

Participants are required to establish a connection to the TIPS service individually following the procedures stated in the document [TIPS Connectivity Guide v 1.0](#) and conduct an orderly and timely testing of all individual functionalities that they plan to perform within TIPS.

Given that NBS is not using TIPS for its own purposes, testing payments need to be exchanged between participants. NBS will arrange all necessary technical settings and management of static data with each participant bilaterally.

The testing phase will cover solutions on the side of SCT Inst scheme participants, PSPs' connectivity to TIPS, and the processing of instant payment between PSPs; additionally, stress tests of online interfaces and PSPs' network communication with payment recipients may be performed in order to confirm their capacity and readiness for an elevated number of transactions.

## **7. Final provisions**

The publication date of the National plan for the implementation of instant payments in the Slovak Republic is 17 December 2019.

The National plan can be updated by publishing a higher-numbered version of the document with its change history at the beginning. The National plan and any future updates thereof are published on [the NBS website](#).