



koruna counterfeits is expected to be only sporadic.

COUNTERFEITS OF OTHER FOREIGN CURRENCY

The total number of counterfeits of other foreign currencies recovered in Slovakia was lower in 2015 than in 2014. The majority of them were US

dollar counterfeits, 43 of which were recovered. As in previous years, the \$100 dollar banknote was the most counterfeited denomination, accounting for 91% of US dollar counterfeits. The other counterfeits recovered included 41 Swiss franc, 4 British pound, 4 Hungarian forint and 2 Polish zloty counterfeits.

4 PAYMENT SERVICES AND PAYMENT SYSTEMS

4.1 PAYMENT SERVICES

The principal legal regulation governing payment services and payment systems in Slovakia is Act No 492/2009 on payment services and amending certain laws (hereinafter '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.

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

- Regulation (EC) No 924/2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001;
- 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; and
- Regulation (EU) No 2015/751 on interchange fees for card-based transactions.

A further component of the legal framework is Decree No 8/2009 of Národná banka Slovenska laying down the structure of domestic and international bank account numbers and details about the issuance of an identifier code converter.

In 2015 Národná banka Slovenska approved a 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), in view of the Court's financial results and the sufficiency of existing funding for the activities of the Court's Chamber for the Arbitration of Disputes Related to Payment Services.

4.2 PAYMENT SYSTEMS IN SLOVAKIA

4.2.1 TARGET2 AND TARGET2-SK

Since Slovakia joined the euro area in 2009, Národná banka Slovenska has operated the TARGET2 component system known as TARGET2-SK (T2-SK). T2-SK functioned smoothly in 2015, free of any incident that might have disrupted the processing of payments or operation of the system, or negatively affect its participants.

Národná banka Slovenska ensures the day-to-day operation of T2-SK, provides advice and support to the system's participants, and performs regular testing of recovery procedures. It 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.



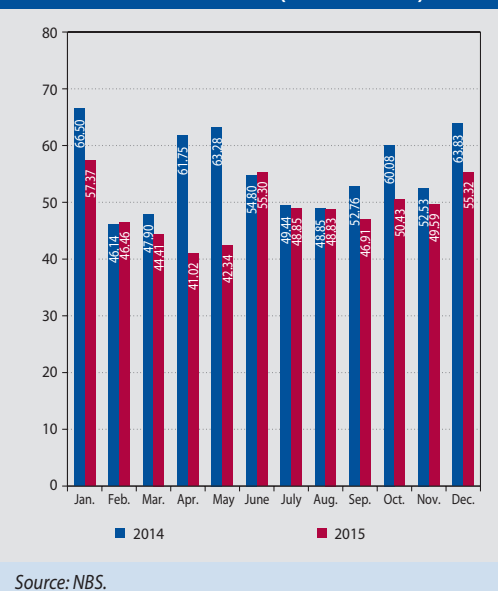
NBS organises regular working meetings with representatives of T2-SK participants. These meetings provide opportunities to discuss proposed motions and planned changes in TARGET2, to coordinate the testing of new SSP software releases with participants, to evaluate the day-to-day operation of the system, and to pass on any other relevant information.

In 2015 the European Central Bank (ECB) adopted Guideline (EU) 2015/930 amending Guideline ECB/2012/27 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (ECB/2015/15). On 9 June 2015, pursuant to Guideline ECB/2015/15, NBS adopted and published the following: Decision No 7/2015 on conditions for opening and holding PM accounts in TARGET2-SK; Decision No 8/2015 on conditions for opening and holding special-purpose cash accounts in TARGET2-SK; and Decision No 9/2015 amending Decision No 4/2010 on settlement procedures for TARGET2-SK ancillary systems as amended.

4.2.2 PAYMENTS EXECUTED VIA TARGET2-SK

T2-SK had 33 participants at the end of 2015, including 30 direct participants. The other three participants were ancillary systems, namely: the Slovak Interbank Payment System (SIPS); a central securities depository named Centrálny de-

Chart 24 Value of transactions processed in T2-SK in 2014 and 2015 (EUR billions)



pozitár cenných papierov SR (CDCP); and a company named First Data Slovakia, s.r.o. The overall number of participants was the same as at the end of 2014, the only changes in 2015 being the arrival of one direct participant and departure of another.

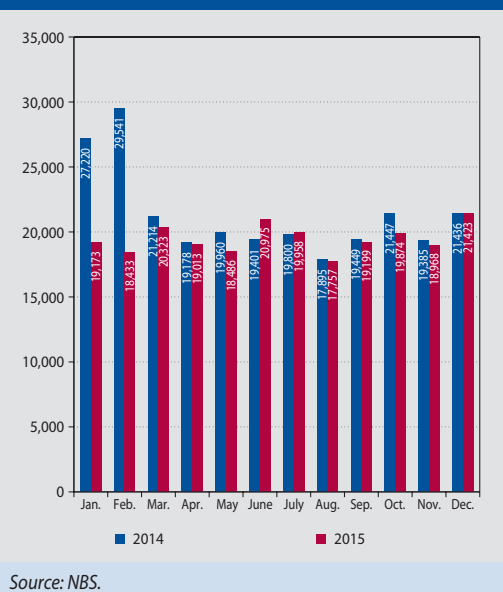
In 2015 T2-SK settled more than 233,000 transactions with a total value of over €586 billion. In comparison with 2014, T2-SK traffic decreased in volume by 8.7% (over 22,000 transactions) and decreased in value by 12.1% (€81 billion).

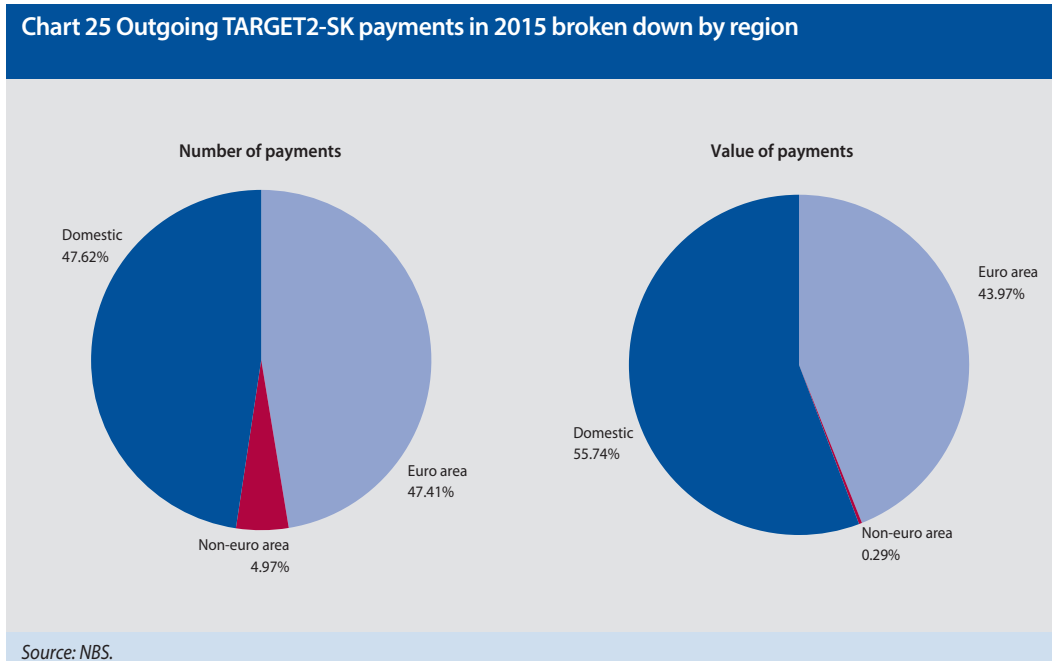
T2-SK had 256 operating days in 2015, and its average daily traffic by volume and value was 912 transactions and almost €2,292 million.

Looking at the payment traffic in 2015 broken down into customer and interbank transactions, customer payments had the higher share by number (71:29), while interbank payments predominated in terms of value (7:93).

At the end of 2015 there were 24 EU central banks connected to TARGET2. Of the total number of payments settled by T2-SK in 2015, 47.62% were domestic, 47.41% were cross-border within the euro area and 4.97% were cross-border to counterparties in non-euro area

Chart 23 Number of transactions processed in T2-SK in 2014 and 2015





countries. Domestic payments accounted for 56% of the total value of payments, and cross border payments for 44%.

4.2.3 THE SLOVAK INTERBANK PAYMENT SYSTEM (SIPS)

The retail payment system, SIPS, is used mainly for the processing and clearing of retail payments in euro. These comprise mostly domestic payments, but also cross-border SEPA credit transfers and SEPA direct debits in the XML message standard. Cross-border SEPA credit transfers and SEPA direct debits are processed by STEP2, a pan-European automated clearing house, in which NBS is a direct participant.

SIPS processes and clears payments through multiple clearing cycles on each business day. A new clearing cycle was introduced in SIPS from 1 January 2015. This extended the deadline for making same-day domestic and cross-border SEPA payments by two and a half hours, until 3 p.m. After participants' payments are cleared in SIPS, which is an ancillary system of T2-SK, the resulting cash positions undergo final settlement in T2-SK. SIPS functioned smoothly in 2015, free of any incident

that might have disrupted the processing and clearing of payments or operation of the system.

Preparations for expanding SIPS services to include the processing of cross-border direct debits between businesses, under the SEPA Business-to-Business (B2B) Direct Debit Scheme, were completed during 2015, in response to demand from the banking sector and based on a decision of the NBS Bank Board. This new functionality of SIPS was successfully tested towards the end of the year and became operational as of 1 January 2016.

As part of the preparations for SEPA B2B direct debits, NBS also adopted and published Decision No 18/2015 amending Decision No 7/2012 of 16 October 2012 on rules for the Slovak Interbank Payment System as amended.

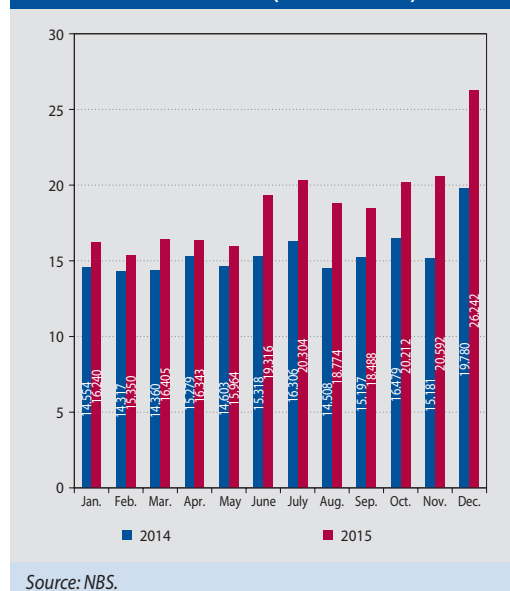
NBS maintains the register of creditor identifiers (CIs) for SEPA direct debits (SDDs), after assuming this task from the Slovak Banking Association in 2013. Each SDD payee, whether a natural or legal person, has a unique CI. The number of active SDD payees registered with NBS was almost 390 at the end of 2015.



Chart 26 Number of transactions executed via SIPS in 2014 and 2015 (millions)



Chart 27 Value of transactions executed via SIPS in 2014 and 2015 (EUR billions)



4.2.4 PAYMENTS EXECUTED VIA SIPS

SIPS had a total of 25 direct participants in 2015, the same as in the previous year.

In 2015 SIPS processed 205,738,000 transactions, which had a total value of €224.23 billion. Compared with 2014, the number of transactions increased by 6.33% (from 193,491,000) and the value increased by 20.63% (from €185.88 billion).

Of the total number of transactions executed via SIPS in 2015, around 94% were domestic and 6% cross-border. Of their total value, domestic transactions accounted for 77% and cross-border transactions for 23%.

4.2.5 PAYMENT CARDS³⁹

The number of payment cards in circulation in Slovakia increased by 5.3% from the end of 2014 to the end of 2015, up to 5,304,377. Both the number and value of payment card transactions also increased year-on-year in 2015, their number by 15.7% (from 317.36 million in 2014 to 367.02 million) and their value by almost 8% (to €20.38 billion).

CONTACTLESS PAYMENT CARDS

The use of contactless cards in Slovakia is high by international standards. In 2015 the number

of the contactless cards in circulation in Slovakia increased by 23% year-on-year (from 3.2 million in 2014 to almost 4 million), and the number and value of contactless card payments rose markedly, the former by 99.4% (from 50.52 million to 100.75 million) and the latter by 105.8%, (from €650.64 million to €1,338.8 million).

The share of contactless cards in total payment cards was 74.7% by the end of 2015. In regard of this proportion, Slovakia is one of the most advanced countries of the EU.

CASH DISPENSERS (ATMs) AND POS TERMINALS

In comparison with 2014, the number of ATMs in Slovakia increased in 2015 by 30, to 2,738, and the number of point-of-sale (POS) terminals increased by 2,782, to 49,604. The number of contactless-enabled POS terminals soared by 44%, from 26,680 in 2014 to 38,424 in 2015.

4.3 COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS IN THE PAYMENT SYSTEMS FIELD

THE EUROSISTEM – TARGET2-SECURITIES

The implementation of TARGET2-Securities (T2S), the Eurosystem's landmark platform for

³⁹ Information provided by banks and branches of foreign banks.

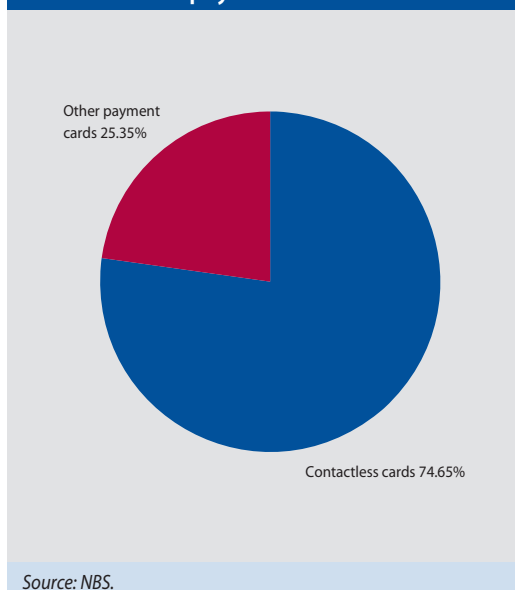
Chart 28 Domestic and cross-border transactions executed via SIPS in 2015



securities settlement, entered its operational phase in 2015 in accordance with the T2S Programme Plan. After final testing of the system, the revealed bugs were fixed and a number of modifications were proposed, which were then

approved by the Eurosystem. The migration of central securities depositories (CSDs) and their user communities to the T2S platform is taking place in waves. All CSDs participating in T2S first wave were considered to be eligible by the Eurosystem, after assessing their readiness. On 22 June 2015 a first group from Greece, Malta, Romania and Switzerland connected to T2S. Italy followed on 31 August 2015.

Chart 29 Contactless payment cards as a share of total payment cards in 2015



At the same time, considerable progress was made in defining and harmonising T2S standards and in bringing national markets in line with them. Following publication of the CSD Regulation (CSDR) in 2014, cooperation in the drafting of technical standards continued in 2015.

Slovakia is preparing to join the fourth wave of T2S migration, scheduled for February 2017. The institutions involved are Centrálny depozitár cenných papierov SR, Národná banka Slovenska, and all other banks in Slovakia.

The ECB published updates on the progress of T2S throughout 2015, on its website page T2S OnLine.⁴⁰

⁴⁰ <https://www.ecb.europa.eu/paym/t2s/about/t2sonline/html/index.en.html>