



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM



ANNEXES



ABBREVIATIONS

AMA	Advanced Measurement Approach
ARDAL	Debt and Liquidity Management Agency
a.s.	joint stock company
b.p.	basic points
BIS	Bank for International Settlement
BRIBOR	Bratislava Interbank Offered Rates
BSC	Banking Supervision Committee
BSSE	Bratislava Stock Exchange
CDCP	Central Securities Depository
CEBS	Committee of European Bank Supervisors
CEIOPS	Committee of European Insurance and Occupational Pensions
CESR	Committee of European Securities Regulators
Coll.	Collection of Laws of the SR
CI	collective investment
CPI	Consumer Price Index
DSGE model	Dynamic Stochastic General Equilibrium model
EBA	European Banking Authority
EBOR	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
EEA	European Economic Area
EFC	Economic and Financial Committee
EIOPA	European Insurance and Occupational Pensions Authority
EMU	Economic and Monetary Union
ERM	Exchange Rate Mechanism
ESCB	European System of Central Banks
ESFS	European System of Financial Supervision
ESMA	European Securities Markets Expert Group
ESME	European Securities Markets Expert Group
ESRB	European Systemic Risk Board
EU	European Union
EUR	euro/€
EURIBOR	Euro Interbank Offered Rate – fixing of interest rates on the euro area money market
EURO SIPS	retail payment system operated by NBS after the euro introduction
FDI	foreign direct investment
Fed	Federal Reserve System
FNM	Fond národného majetku – National Property Fund
FRA	forward rate agreement
FSC	Financial Services Committee
GdC	Groupe de Contact – CEBS committee expert group
GDP	Gross Domestic Product
HFCN	Household Finance and Consumption Network
HICP	Harmonised Index of Consumer Prices
IAIS	International Association of Insurance Supervisors
IBRD	International Bank for Reconstruction and Development
ICAAP	Internal Capital Adequacy Assessment Process
IMF	International Monetary Fund
IOPS	International Organization of Pension Supervisors



ABBREVIATIONS

IOSCO	International Organisation of Securities Commissions
IPP	Industrial Production Index
IRB model	credit risk model based on internal rating
LFSS	Labour Force Sample Survey
IRS	interest rate swap
JET	Joint European Tendering Group – association of Eurosystem NCBs for effective production and supply of euro banknotes
MaRs	Macro-prudential Research Network
MFI	Monetary Financial Institutions
NAV	Net Asset Value
NBS	Národná banka Slovenska – National Bank of Slovakia
NCB	national central bank
NEER	Nominal Effective Exchange Rate
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petrol Exporting Countries
OPF	Open-end Mutual Funds – otvorené podielové fondy
p.a.	per annum
PFCM	Pension Fund Management Company
p.p.	percentage points
PP	Policy Paper – analytical study
PPI	Producer Price Index
REER	Real Effective Exchange Rate
ROE	Return on Equity
RULC	Real Unit Labour Costs
SASS	Slovak Association of Asset Management Companies – Slovenská asociácia správcovských spoločností
SAX	Slovak Share Index
SDX	Slovak Bond Index
SDXG	Slovak Bond Index Group
SKK	Slovak koruna
SEPA	Single Euro Payments Area
SPMC	Supplementary Pension Asset Management Company
SO SR	Statistical Office of the Slovak Republic
SR	Slovak Republic
SSP	Single Shared Platform
SSS	Securities Settlement System
STATUS DFT	STATUS application software for financial market supervision
TARGET	Trans-European Automated Real-time Gross Settlement Express Transfer in the euro
UCITS	Undertakings for collective investment in transferable securities
ULC	Unit Labour Costs
USD	US dollar
VAR model	Vector Autoregression model
WB	World Bank
WDN	Wage Dynamics Network
WGMA	Working Group on Macro-prudential Analysis
WP	Working Paper – research study
WTO	World Trade Organization
ZBK SR	Bank Card Association in the SR



GLOSSARY

Actuary – insurance mathematician responsible for the calculation of insurance premiums and reporting.

Autonomous liquidity factors – factors other than monetary policy operations influencing banking sector liquidity. Such factors are, in particular, net foreign assets held by the central bank, central government deposits with the central bank and currency in circulation.

Average value of currency mark – the total value of cumulative net issuance divided by the cumulative net issuance by number of coins and banknotes.

Central parity – the exchange rate vis-à-vis the euro of currencies of ERM II participant countries, around which the ERM II fluctuation margins are defined.

Collateral – an asset used to secure a loan. In case of the debtor's default the asset can be sold and the proceeds used to settle the outstanding loan.

Core inflation – measures the rate of growth of the price level on the basis of an incomplete consumer basket. The consumer basket does not include items with regulated prices and items with prices subject to other administrative measures (e.g. change of VAT, consumer taxes, subsidies). It is part of the national index of consumer prices.

Corporate governance – company management and administration.

Covered Bond Purchase Programme (CBPP) – A special monetary-policy instrument falling within the category of structural operations. The aim of this programme was to put downward pressure on money market rates, to revive the market in covered bonds as a way for banks and firms to obtain financing, and to stimulate bank lending to the private sector. The programme was launched in July 2009 and continued until June 2010. Under the CBPP, the Eurosystem acting through the national central banks purchased eligible securities with a total nominal value of €60 billion.

Cumulative net issuance at a given date – the difference between the volume (value) of euro cash put into circulation by Národná banka Slovenska and the volume (value) of euro cash taken out of circulation by NBS in the period following the introduction of the euro in Slovakia, including the given date.

Deflation – a decrease in the general price level, the opposite of inflation.

Deposit facility – a facility used to make overnight deposits with a national central bank. Under normal circumstances, there are no limits on access to the facility. The interest rate on the marginal deposit facility normally provides a floor for the overnight market interest rate.

Effective exchange rates (nominal: NEER, real: REER) – weighted averages of bilateral domestic currency exchange rates against the currencies of the main trading partners. The weights used reflect the share of each partner country in Slovakia's foreign trade. Real effective exchange rates are nominal effective exchange rates deflated by a weighted average of external, relative to domestic, prices or costs. They are measures of price and cost competitiveness of a country.

Electronic money business – the issue and administration of electronic money and electronic money payment instruments.



ERM II (exchange rate mechanism II) – an exchange rate system providing a framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in the third stage of the Economic and Monetary Union. Membership in ERM II is one of the Maastricht criteria for the adoption of the euro.

ESA 95 – the European System of Accounts adopted in 1995. A common methodology for the compilation and reporting of GDP, employment and employee compensation data for all EU countries.

EURIBOR (Euro Interbank Offered Rate) – the interbank reference rate within the Economic and Monetary Union, which was introduced in 1999. It is the rate at which euro interbank term deposits are offered by one bank to another and is published at 11:00 a.m. CET for spot value (T+2). The company chosen to be responsible for computing and publishing EURIBOR is Reuters.

Euro area – the area encompassing those EU Member States in which the euro has been adopted in accordance with the Treaty. The responsibility for monetary policy in the euro area lies with the European Central Bank.

European Economic Area (EEA) – includes 27 Member States of the EU, Iceland, Lichtenstein and Norway (member states of the European Free Trade Association (EFTA), except for Switzerland).

European Economic Area – comprises all EU Member States, Norway, Lichtenstein and Iceland.

European Payments Council – an organisation associating European Union banking associations.

European System of Central Banks (ESCB) – the system of central banks comprising the European Central Bank (ECB) and the national central banks of all EU Member States.

EURO SIPS – a retail payment system that will be made up by the transformation of the present domestic SIPS payment system. It will be operated by Národná banka Slovenska as of the day of the euro introduction.

Eurosystem – a system of central banks comprising the European Central Bank (ECB) and the national central banks of the euro area countries (EU countries that have adopted the euro).

Financial market (for the purposes of chapter 3, entities regulated by NBS) – consists of four sectors: the banking sector (the main representatives are banks and branches of foreign banks), the capital market (the main representatives are investment firms, asset management companies, the stock exchange, the Central Securities Depository, issuers and investment services intermediaries), the insurance sector (the main representatives are insurance companies and branches of insurance companies from another EU Member State), and the pension saving market (the main representatives are pension asset management companies and supplementary pension asset management companies (pension insurance companies)).

Foreign direct investment (FDI) – a category of international investments reflecting the intention of a resident entity in an economy (direct investor) to acquire a permanent interest in a company residing in an economy other than that of the investor (direct investment company). Direct investments include the initial transaction between these two entities – i.e. the transaction giving rise to the investment relationship – and all subsequent transactions between these two entities and affiliated companies.

Foreign reserves – reserves of the Slovak Republic consisting of gold and other financial assets denominated in foreign currency held and managed by the central bank. They are used to directly finance payment imbalances, to indirectly regulate their size through foreign exchange market interventions in order to influence the exchange rate of the currency, or for other purposes.



GDP deflator – an aggregate price index reflecting developments in the price of products and services in an economy. It is calculated as a ratio of GDP at current prices to GDP at constant prices.

General government – a sector defined in ESA 95 as comprising resident entities that are engaged primarily in the production of non-marketable goods and services intended for individual and collective consumption and in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds, and any budget-funded or subsidised organisations established by them, whose revenues cover less than 50% of their production costs.

General government debt – gross debt (deposits, loans and other debt securities other than financial derivatives) of the general government at nominal value. A debt-to-GDP ratio under 60% is one of the Maastricht convergence criteria for the adoption of the euro.

General government deficit – the difference between total revenues and total expenditures of the general government sector, if expenditures exceed revenues. A deficit-to-GDP ratio of less than 3% is one of the Maastricht convergence criteria for the adoption of the euro.

Gross domestic product (GDP) – the total output of goods and services in an economy in a given period. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services.

Harmonised Index of Consumer Prices (HICP) – a consumer price index measured on a comparable basis across all EU Member States, which accounts for differences in national definitions. The HICP is one of the indicators used to assess price stability in a country (one of the Maastricht convergence criteria).

Households – population; i.e. accounts of citizens.

Inflation – an increase in the general price level.

Longer-term refinancing operations – liquidity-providing reverse transactions with a monthly frequency and a maturity of normally three months. These operations are aimed at providing counterparties with additional longer-term refinancing and are conducted by the national central banks of the Eurosystem on the basis of standard tenders. In these operations, as a rule, the Eurosystem aims to generate sufficient liquidity and ensure smoothness of financial flows in the financial sector.

M1 – a narrow monetary aggregate comprising currency in circulation and overnight deposits with MFIs and central government (e.g. with post office – Post Giro – or the State Treasury).

M2 – an intermediate monetary aggregate that comprises M1 plus deposits repayable at notice of up to 3 months (short-term saving deposits) and deposits with an agreed maturity of up to 2 years (short-term deposits) with MFIs and central government.

M3 – a broad monetary aggregate that comprises M2 plus negotiable instruments, i.e. repurchase agreements, money market fund shares and units as well as debt securities issued by MFIs with a maturity of up to two years.

Maastricht criteria – convergence criteria set out in the Maastricht Treaty that must be fulfilled before a country can join the euro area. There are four criteria: public finances (deficit and debt of the general government sector), inflation, long-term interest rates, and exchange rate.



Main refinancing operations – regular liquidity-providing reverse transactions with a weekly frequency and a maturity of normally one week. These operations are executed by the national central banks of the Eurosystem on the basis of standard tenders. The main refinancing operations play a pivotal role in pursuing the objectives of the Eurosystem. As from 1 January 2009, the rate for the main refinancing operations replaced the NBS base rate.

Marginal lending facility – a facility for obtaining overnight liquidity from a national central bank against eligible assets. Access to the facility is usually limited only by the requirement to submit sufficient eligible assets. Under normal circumstances, the interest rate on the facility provides a ceiling for the overnight market interest rate.

MFI claims on residents – MFI claims from residents other than MFIs (including the general government sector and the private sector) and securities issued by residents other than MFIs (stocks and other equity and debt securities) held by MFIs.

Minimum reserve requirement – financial reserves held by banks, branches of foreign banks, building societies and electronic money institutions on accounts with the central bank. It is a monetary policy tool with the level set by the central bank for each minimum reserve holder.

Monetary financial institutions (MFI) – financial institutions which together form the money-issuing/generating sector. These comprise the central bank (NBS), credit institutions (banks and branches of foreign banks) and all other financial institutions whose business is to receive deposits or redeemable funds from entities other than MFIs and, in their own name and for their own account, to extend credit and invest in securities (in particular money market funds).

NUG – a forum for national financial market participants' work on T2S project.

Number of turnarounds of euro banknotes (euro coins) of a given nominal value for a given year – the number of euro banknotes (euro coins) of the given nominal value received during the given year divided by the average cumulative net issuance of euro banknotes (euro coins) of the given nominal value.

Parent company – a legal person controlling, i.e. holding over 50% of equity or voting rights in another legal person, or the right to appoint or dismiss the majority of the members of its statutory body, supervisory board or another managing, supervisory or controlling body.

Pension pillar II – retirement pension schemes as a component of mandatory state pension insurance (funded defined contribution system).

Pension pillar III – a funded defined contribution system of supplementary pension schemes, enrolment in which is voluntary and which are supported by the state through tax relief.

Persons related to Národná banka Slovenska – legal or natural persons which are subsidiary accounting units of the NBS, affiliated accounting units, members of the NBS Bank Board, close relatives of a member of the NBS Bank Board, accounting units controlled, co-controlled or subject to the influence or significant voting rights exercised or held by members of the NBS Bank Board or their close relatives.

Portfolio investment – net transactions by residents and their holdings of securities issued by non-residents (assets) and net transactions by non-residents and their holdings of securities issued by residents (liabilities). They comprise equities and debt securities (bonds, bills of exchange and money market instruments). For investments to be considered portfolio investments, the interest in the company concerned must be lower than the equivalent of 10% of ordinary shares or voting rights.



POS terminal – technical equipment allowing payments by payment cards (Point of Sale).

Price stability – a year-on-year increase in consumer prices within the limits set by the ECB. As a medium-term target, the ECB seeks to maintain consumer price growth as measured by the HICP below 2%, but close to this level.

Recirculation – the number of months during which the volume of all banknotes returned by all banks to NBS equals the average cumulative net issuance of euro banknotes in a given year.

Regulated prices – prices and fees set by ministries or regulators (Network Industries Regulation Office, Slovak Post Office, Slovak Telecommunications Office, etc.) or by regional or local governments. They are included in the national consumer price index.

Reinvested earnings – consist of the share of a direct investor (relative to a direct participating interest) in profit not distributed as dividends by subsidiaries or affiliates and in profit of branches not distributed to the direct investor.

Repo operation – granting or receiving a loan against collateral in the form of securities.

RTGS (Real Time Gross Settlement) – a real-time gross settlement system.

Securities Markets Programme (SMP) – Interventions by the Eurosystem in public and private debt securities, made to support those segments that have become dysfunctional. The objective is to remove obstacles in the securities market and to restore an appropriate monetary policy transmission mechanism. Special fine-tuning operations are conducted to re-absorb the excess liquidity injected through these interventions and to ensure that the monetary policy stance is not affected.

SEPA (Single Euro Payments Area) – a single euro payments area the objective of which is to create a single internal market for cross-border euro payments.

Single list – list of eligible assets for Eurosystem operations.

SIPS – interbank payment system operated by Národná banka Slovenska before the euro introduction.

SSP – Single Shared Platform – a technical platform on which TARGET2 is operating.

Stability and Growth Pact – was designed to ensure sound public finances during the third stage of the Economic and Monetary Union in order to facilitate price stability and a strong sustainable growth contributing to job creation. To that end, the Pact requires Member States to set medium-term fiscal targets. It also defines a specific excessive deficit procedure. The Pact consists of the resolution on the Stability and Growth Pact adopted at the Amsterdam summit of the European Council on 17 June 1997 and two Council regulations, namely (i) Regulation 1466/97/EC of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies as amended by Regulation 1055/2005/EC of 27 June 2005 and (ii) Regulation 1467/97/EC of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure as amended by Regulation 1056/2005/EC of 27 June 2005.

Subsidiary – a legal person subject to control (a holding of over 50% of equity or voting rights in the legal person).

SWIFT – Society for Worldwide Interbank Financial Telecommunication – a provider of data infrastructure and technologies for the exchange of payment messages.



TARGET2 – a new generation of the TARGET system – a real-time gross settlement system for the euro with settlement in central bank money. It is functioning on the Single Shared Platform through which all payment orders received and payments accepted are technically processed in an equal way.

TARGET2-SK – the payment system of Národná banka Slovenska that is part of the TARGET2 system.

T2S – TARGET2 Securities – a technical platform for the settlement of security transactions.

Unit-linked insurance – life insurance linked to an investment fund.

Yield curve – a graphic representation of the relationship between the interest rate/yield and the maturity of an asset with the same credit risk, but different maturities at a specific point in time. The slope of the yield curve can be expressed as the difference between interest rates applied to two selected maturities.

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