CHAPTER 8

EUROPEAN AFFAIRS AND INTERNATIONAL COOPERATION

8

8 European affairs and international cooperation

8.1 European affairs

The Eurosystem

On 1 January 2009, NBS became a member of the Eurosystem, which comprises the ECB and the national central banks of all the EU Member States that have adopted the euro. The NBS Governor is, by virtue of his position, a member of the ECB Governing Council (the ECB's highest monetary-policy authority), whose main responsibility is to formulate monetary policy for the euro area. The Governor is also a member of the ECB General Council, a transitional decision-making body that will cease to exist once all EU Member States have adopted the single currency.

The ECB's decision-making bodies are assisted in their tasks by the committees of the Eurosystem/European System of Central Banks, established for each of the principal areas of central bank activities. During 2010, more than 70 representatives of NBS participated directly in the work of these committees and their working groups, which is a key element in cooperation between the national central banks. The participation of NBS specialist units in the tasks of the Eurosytem represents a significant part of the central bank's activities.

The European Union

The NBS Governor attended the informal meetings of the ECOFIN in 2010, which were held in Madrid in April and in Brussels in September. These meetings are held in the capital city of whichever country holds the EU Presidency. During the year, NBS representatives also took part in the activities of selected committees and working groups of the European Council and European Commission: for example, meetings of the Economic and Financial Committee (EFC).

European cooperation in the field of supervision

Back in November 2008, the European Commission responded to the financial crisis by establishing a group of experts whose task was to make recommendations on how to strengthen cooperation in the field of supervision at the European level and thus to help restore confidence in the financial system. In its final report (the so-called De Larosière Report), the group recommended the formation of a new supervisory framework over European financial institutions and markets in order to strengthen the general level of financial stability in the European Union. On 24 November 2010, the European Council acted on these recommendations by approving the texts of regulations and a directive that would be the basis for the establishment of the European System of Financial Supervision (ESFS) as of 1 January 2011. The ESFS consists of the following bodies:

- the European Systemic Risk Board (ESRB),
- the European Banking Authority (EBA),
- the European Insurance and Occupational Pensions Authority (EIOPA),
- the European Securities and Markets Authority (ESMA),
- the Joint Committee of European Supervisory Authorities,
- the competent authorities or supervisory authorities in Member States.

The main purpose of the ESFS is to ensure that the rules for the financial sector are properly applied, so as to safeguard financial stability and to ensure both confidence in the financial system as a whole and sufficient protection for users in the field of financial services. Financial market supervision is divided into two broad areas – micro-prudential oversight of financial institutions (the European Supervisory Authorities – ESAs), and macro-prudential oversight of financial system of EU (the ESRB). The ESAs have replaced the European Commission's three advisory committees that were operating at Level 3 of the Lamfalussy process – the CEBS, the CEIOPS and the CESR.[17]

NBS is a member of all the above-mentioned institutions and will have a representative on the highest body of each of them. NBS experts will be taking part in meetings of the individual working groups, where they will help to formulate implementing and regulatory legislation, recommendations, and guidelines.

17 The London-based Committee of European Banking Supervisors (CEBS) has been replaced by the European Banking Authority (EBA); the Frankfurt-based Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) has been replaced by the European Insurance and Occupational Pensions Authority (EIOPA); and the Paris-based Committee of European Securities Regulators has been replaced by the European Securities and Markets Authority (ESMA).

8.2 NBS COOPERATION WITH INTERNATIONAL INSTITUTIONS

The International Monetary Fund (IMF) and the World Bank

For these Bretton Woods Institutions, the most significant milestones in 2010 were the approval of quota and governance reforms in the case of the IMF (in December 2010) and the approval of a capital increase for the World Bank (in April 2010). The main events in 2010 were the IMF/WB spring and annual meetings in April and October, which were attended by the NBS Governor in his position as Governor of the IMF for Slovakia.

Slovakia's exposure to the IMF increased in 2010. The country's commitment under the Financial Transactions Plan (FTP) represented approximately SDR 64.6 million as at 31 December 2010. Furthermore, Slovakia last year extended SDR 26.83 million to the IMF under a bilateral loan agreement that entered into force in February 2010.

In July 2010, the IMF conducted its regular mission to Slovakia as part of consultations under Article IV of the IMF Agreement. The process included consultations on Slovakia's economic policies, as well as the completion of consultations on matters of monetary and foreign-exchange policy common to all euro area countries. Slovakia was also involved in other regular IMF activities in 2010, for example, the updating of the Annual Report on Exchange Arrangements and Exchange Restrictions.

In 2010, Slovakia's contribution to the International Development Association (IDA) amounted to €680,000 and its contribution to the Multilateral Debt Relief Initiative (MDRI) represented €30,000. The donations were based on a commitment given as part of Slovakia's participation in the 15th replenishment of IDA funds and in the financing of the MDRI. Slovakia also took part in the 16th replenishment of IDA funds.

Organisation for Economic Cooperation and Development (OECD)

In 2010, NBS was visited by representatives of the OECD's structural and political missions; the missions are conducted periodically as part of the preparations of the OECD's Economic and Development Review Committee (EDRC) for a comprehensive evaluation the Slovak economy. The structural mission delegates were received by the General Director of the NBS Monetary Policy Department. As for the political mission, it was conducted with the participation of the NBS Governor. The conclusions from the missions were reflected in the OECD's Economic Survey of the Slovak Republic for 2010, which the OECD Secretary-General, Angel Gurria, presented at an International Economic Conference in Bratislava.

European Bank for Reconstruction and Development (EBRD)

The Board of Governors of the EBRD met at the EBRD's Annual Meeting in Zagreb in May 2010. The Slovak delegation included the NBS Deputy Governor. The main topics of discussion were the EBRD's role in the post-crisis recovery of the region and how to support sustainable growth. The Board of Governors' meeting also approved the EBRD's medium-term strategy for the period 2011 to 2015.

8.3 INTERNATIONAL ACTIVITIES OF NBS IN THE FIELD OF SUPERVISION

Bank for International Settlements (BIS)

The Annual General Meeting of the BIS was held in June 2010 with the NBS Governor in attendance. The BIS meetings of Governors were held at bimonthly intervals in 2010; they focused on current issues, such as: interest rate risk in the financial system, responses to capital inflows, reform proposals put forward by the Basel committees, and the report of the Irving Fisher Committee on Central Bank Statistics. Also in 2010, NBS participated in activities of the BIS Central Bank Governance Group.

Other international supervisory institutions

In connection with NBS's commitments to international organisations, the European Central Bank, EU committees and others, staff members of the Financial Market Supervision Unit ("FMS Unit") regularly attend meetings of various working groups and committees. In 2010, the FMS Unit cooperated extensively with foreign supervisory authorities (particularly in regard to the supervision of banking and insurance groups) by participating in working groups and committees of international institutions. These include, for example, the so-called Level 3 Committees:

the Committee of European Banking Supervisors (CEBS), the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), and the Committee of European Securities Regulators (CESR).

Within the European System of Central Banks was established the Banking Supervision Committee (BSC). One of its tasks was to monitor and evaluate developments in the European financial sector in terms of financial stability. As at 1 January 2011, under a decision taken by the 298th meeting of the ECB Governing Council, the BSC was dissolved and the new Financial Stability Committee (FSC) was established. The tasks and activities previously carried out by the BSC and its working groups are expected to be assumed by either the FSC or the ESRB's Advisory Technical Committee, although the decision on this matter has still to be taken. The new arrangement was intended to strengthen the committee's mandate in the area of financial stability and to reduce any potential overlap with the competences of the of the European Banking Authority. The FSC will be tasked with monitoring and assessing financial stability in the euro area, drafting ECB opinions, assessing the impacts of regulation, sharing information on financial stability, and providing the assistance in the area of financial stability for other committees of ESCB.

The CEBS was a committee comprising representatives of banking supervisors and representatives of EU central banks. Its tasks included giving advice to the European Commission, implementing EU directives, and enhancing cooperation and the exchange of information between banking supervisors. The CEBS focused mainly on capital requirement rules for financial institutions, so as to ensure that financial institutions have a closer link between their capital and the risks they are exposed to. Various working groups and expert groups were established under the CEBS. Among them was the Groupe de Contact (GdC), an expert group focusing on the harmonisation of supervisory procedures and the sharing of information.

The task of the CESR was to improve coordination among securities regulators across the European Union, to act as an advisory group to the European Commission, and to work to ensure more consistent and timely implementation of European Union legislation in Member States.

The Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) was established by a decision of the European Commission. The CEIOPS members were supervisory institutions of the insurance sector and occupational pension fund sector of EU Member States. Before its dissolution, the Committee focused primarily on the Solvency II project.

The FMS Unit's activities in 2010 also included cooperation with supervisory authorities from other countries, in particular with the supervisors of the parent banks and parent insurance undertakings of subsidiary banks and insurance undertakings established in the Slovak Republic. The cooperation with supervisors takes place at bilateral and multilateral levels, and its main focus in recent years has been the activities of the supervisory colleges for individual banking and insurance groups. The FMS unit is a member of 11 supervisory colleges in the field of banking (of which nine are for banks and two are for branches of foreign banks) and 11 supervisory colleges for cross-border insurance groups.

8.4 FOREIGN TECHNICAL ASSISTANCE

In 2010, NBS was one of fourteen Eurosystem central banks that contributed to the Crisis Response Package. This programme has been put together by the ECB, in cooperation with the IMF and the World Bank, as a response to the financial crisis; its sole focus is to support supervision in eight EU candidates and potential candidates (Croatia, the Former Yugoslav Republic of Macedonia, Bosnia and Herzegovina, Albania, Montenegro, Turkey, Serbia and Kosovo). The programme is divided into three components: 1) a system of training courses; 2) cooperation in drafting measures to improve prudential supervision in individual countries; and 3) simulation exercises focusing on cross-border cooperation between supervisors. The involvement of NBS concerned the first two components. For component 1, NBS arranged a set of seminars on the topics Pillar II, ICAAP/SREP, and risk assessment and measurement. For component 2, NBS regulators are assisting the Central Bank of Montenegro in the preparation of requisite supervisory measures related to Pillar II, in the licensing of banks and in IAS/financial reporting.

NBS also joined the Eurosytem's programme of technical assistance for the National Bank of Serbia, which was approved by the ECB Governing Council in December 2010.

In 2010, NBS continued to provide technical assistance at the bilateral level. In recent years, the main beneficiary of such assistance has been the National Bank of Ukraine (Національний банк України). For the benefit of the Ukrainian central bank, three specialist events were organised in Bratislava and Kiev on the following topics: payment and settlement systems; monetary swaps and spot transactions; and money laundering. In March 2010, NBS signed an agreement on technical cooperation with the National Bank of the Republic of Belarus (Нацыянальны банк Рэспублікі Беларусь). On this basis, NBS organised two specialist seminars for experts of the Belarus central bank, one on the subject of human resources and the other on the measurement of financial instruments in accordance with IAS. NBS experts took part in specialist training events in Belarus and gave lectures on the NBS archive and library system, on Economic and Monetary Union, and on the introduction of the euro.