CROSS-SECTOR WORK PROGRAMME FOR 2006

Recent years have seen an increase in the potential for cross-sector cooperation and coordination activities in regard to financial market supervision. In response to this trend, a Joint Protocol was signed on 25 November 2005 by the Committee of European Securities Regulators (CESR), the Committee of European Banking Supervisors (CEBS) and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS). This established the "3 Level 3 Committees" (CESR, CEIOPS, CEBS).

Cooperation between the Committees is based on the belief that it is not enough merely to ensure convergence in financial supervision of particular financial sectors within Europe, but that it is also necessary to pursue cross-sector convergence in the implementation of EU legislation. Responsibility for these activities lies mainly with the chairpersons (assisted by their secretariats) of CESR, Arthur Docters van Leeuwen, CEBS, Danièle Nouy, and CEIOPS, Henrik Bjerre-Nielsen, who will meet at least twice a year to evaluate issues of potential cooperation and set priorities in this regard. Representatives of the secretariats will gather for information meetings at least three times per year.

Based on the Joint Protocol, the 3 Level 3 Committees have published a plan for cross-sector cooperation in 2006.

The cross-sector programme is focused on the following sections, reflecting the type of work and outcome of the work that will be expected:

A. Joint Work

This section of the work programme sets out work which is to be carried out jointly by the three Committees, and which should result in joint output. It is focused on:

1. Financial conglomerates

Since this area is high priority, the Committees have agreed to set up an interim committee called the Interim Working Committee on Financial Conglomerates (IWCFC), which will address itself to the application of the Financial Conglomerates Directive (FCD). The IWCFC is tasked with assessing the current state of play as regards implementation of the FCD and assisting in its implementation. It will tackle the convergence of national supervisory practices with regard, for example, to capital requirements, intra group transactions and risk concentration.

2. Joint Definition of Standards, Guidelines and Recommendations

B. Projects to reduce supervisory burdens and streamlining processes

This section of the work programme sets out mapping and comparison of sectoral projects that aim at streamlining processes and developing consistent approaches across sectors. This might lead to future joint initiatives.

1. Outsourcing

Cooperation between CESR and CEBS will continue in order to ensure consistency to the maximum extent permitted between the provisions and the respective guidance stemming from the Markets in Financial Instruments Directive (MIFID) and the Capital Requirements Directive (CRD). The aim of this work is to create consistency between standards of CEBS, the Level 2 and 3 work in the MIFID area and the future work on UCITS (Undertakings for the Collective Investment of Transferable Securities) and Solvency II.

2. Supervisory cooperation

The Committees will compare their work on regulatory approaches and cooperative arrangements between the various supervisors, or other competent authorities, in order to determine the potential for incorporating best practice into the cross-sector cooperation.

3. Reporting requirements

The relevant market participants will be required to point out inconsistencies in reporting requirements stemming from EU directives, taking into account International Financial Reporting Standards (IFRSs).

4. Internal governance

Within the context of the MIFID and CRD, an analytical report on the internal governance of banks and investment companies will be prepared and published.

C. Reports to European Institutions

1. Financial market trends and cross sector risks

On cross sector risks, the Committees will be jointly reporting to various European institutions, such as the Economic and Financial Committee / Financial Stability Table at its meeting in September. The Financial Services Committee (FSC) will report on any problems regarding off-shore centres.

2. Supervisory convergence

3. Consultation responses to EU institutions

The Committees will provide joint responses to European Commission consultation papers.

D. Information points for the exchange of experiences

Improving the information exchange between the Committees has been made a priority. On the following issues the Committees will regularly exchange information with the aim of identifying the need for any further common action:

1. Mergers and acquisitions
2. Solvency II/Basel II
3. Enforcement of IFRSs
4. Deposit insurance/Deposit guarantee schemes /Insurance guarantee schemes
5. Standards on clearing and settlement
6. Mutual funds/Hedge Funds/Unit linked insurance contracts and Retail investors/Policy holders protection
7. Rating agencies
8. Crisis management
9. Off-shore centres
10. Developing training schemes
11. Impact assessments

CESR convened for the first time in September 2001 having been established under the terms of the European Commission's Decision of June 2001. It is an advisory body to the European Commission and provides expert assistance in the creation of European legislation concerning the capital market. CESR has the task of helping EU Member States with the gradual transposition of EU directives into national legislation.

CEIOPS was established pursuant to the European Commission's Decision of November 2003. The Committee's role involves ensuring the effective implementation of legislative norms concerning the insurance and occupational pensions.

CEBS came into being on 1 January 2004 on the basis of the European Commission's Decision of 5 November 2003. It assists in the implementation of banking legislation.

Ing. Marek Kačmár

DRAFT DECREE OF THE NATIONAL BANK OF SLOVAKIA STIPULATING THE MAXIMUM LEVEL OF THE TECHNICAL INTEREST RATE IN LIFE INSURANCE

The National Bank of Slovakia has submitted for domestic interdepartmental comments a draft decree stipulating the maximum level of the technical interest rate in life insurance to be 2.5% with effect from 1 January 2007.

The technical interest rate is the interest rate used by insurance companies to calculate the premium for life insurance contracts and to calculate the technical reserves for life insurance by means of actuarial mathematics. At the same time, the technical interest rate represents the technical reserve appreciation to which the client an insurance company is entitled.

Setting a maximum technical interest rate is important with regard to ensuring the financial stability of insurance companies. The term "technical interest rate was incorporated into the Insurance Act by Act no. 430/2003 Coll.

In accordance with Section 27 of Act no. 95/2002 on Insurance and on consequential amendments, the maximum level of the technical interest rate is laid down by a generally binding legal regulation issued by the National Bank of Slovakia. The NBS may adjust the technical interest rate and has until 31 March of each calendar year to do so. Any such adjustment is by law conditional on a change in the weighted arithmetic average of the yields on bonds with a maturity of five years or more which the Slovak Republic issued in the previous calendar year, and on the change representing at least one percentage point in comparison with the weighted arithmetic average of the yields on SR bonds issued in the year prior to the one in which the current technical interest was set.

The technical interest rate was set at 4% by the entry into force on 1 March 2004 of Decree of the Ministry of Finance of the Slovak Republic no. 50/2004. Therefore the year prior to the one in which the applicable decree took effect is 2003, when the average accepted yields on SR bonds with a maturity of five years or more stood at 4.88%. In 2005, the average yields decreased by 1.83% in comparison with 2003, to 3.05%, thereby meeting the condition laid down by the Insurance Act under which a change in the maximum technical interest rate may be made.

The basis for setting the technical interest rate at 2.5% is the nominal yields in percent per annum on bonds with a maturity of five years or more issued from 2003 to 2005. These yields represent 4.4%. Where insurance contracts include an interest-rate guarantee, the respective body in the home Member State will, in accordance with EU directives, stipulate a single maxi-

	2003	2005	Difference in percentage points
Accepted yields to maturity in % per annum – minimum	4.79%	2.97%	1.82%
Accepted yields to maturity in % per annum – maximum	4.93%	3.07%	1.86%
Accepted yields to maturity in % per annum – average	4.88%	3.05%	1.83%
Nominal yields in % per annum after 1 January 2006	4.93%	3.69%	1.24%

mum interest rate. This rate may differ according to the currency in which the contract is concluded, provided that it does not amount to more than 60% of the interest rate on the bonds issued by the state in whose currency the contract is concluded. For the nominal yields in percent per annum on bonds with a maturity of five years or more issued from 2003 to 2005, this figure represents 2.64%.

	Nominal yields in % per annum	60% of the nominal yields in % per annum
Bonds issued from 2003 to 2005 with maturity of at least five years	4.40 %	2.64 %
Bonds issued from 2004 to 2005 with maturity of at least five years	4.17 %	2.50 %
Bonds with a maturity of at least years and continuing after 1 January 2006	4.05 %	2.43 %

Ing. Marek Kačmár

NOTICE TO INSURANCE MARKET ENTITIES

The National Bank of Slovakia hereby notifies entities of the insurance market that, in accordance with Section 18(6) of Act no. 340/2005 Coll. on Insurance Mediation and Reinsurance Mediation and on consequential amendments, insurance agents, insurance brokers and reinsurance intermediaries are required to submit to the National Bank of Slovakia by 31 March of each calendar year a statement on the balance of insurance mediation or reinsurance mediation as at 31 December of the previous year. This requirement applies to all insurance intermediaries and reinsurance intermediaries, including those to whom the Financial Market Authority prior to 1 September 2005 granted a licence to carry on the activities of an insurance agent or to carry on the activities of an insurance broker.

Samples of the statement on insurance mediation and the statement on reinsurance mediation together with explanatory notes form annexes 9 and 10 of Decree of the Ministry of Finance of the Slovakia Republic no. 417/2005 Coll., under which are effected certain provisions of Act no. 340/2005 on Insurance Mediation and Reinsurance Mediation and on consequential amendments.

NEW FAX NUMBERS

In connection with the integration of the Financial Market Authority into the National Bank of Slovakia, the following fax numbers were changed as of 1 February 2006:

- Section for the Supervision of Capital Market, Insurance, and Pension Savings
  Old number: 5726 8200
  New number: 5787 3452
- Department for the Supervision of Pension Savings
  Old number: 5726 8444
  New number: 5787 3450
- Department for the Supervision of Capital Market:
  Old number: 5726 8500
  New number: 5787 3451
- Department for the Supervision of Insurance:
  Old number: 5726 8300
  New number: 5787 3453