The second pillar of the banking union and its challenges

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In June 2013 the European Commission published a proposal for a Regulation establishing a Single Resolution Mechanism as the second pillar of the so-called banking union. The main idea of this initiative is to shift the decision-making processes prescribed in the Bank Recovery and Resolution Directive from the local level to supranational level. The article summarises the main points of the proposal and outlines the challenges that will most probably need to be addressed when negotiations on the proposal take place at the EU level (p. 2).

Assessment of long-term guarantees in Slovakia (Part 1)

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The influence of proposed changes to insurance sector regulation, mainly on long-term guaranteed products and annuity products in non-life insurance, was tested in EU Member States in the first half of 2013 in accordance with European Commission requirements. The related impact study consisted of two parts, namely a quantitative calculation of solvency capital requirements for insurance undertakings and a qualitative questionnaire on the proposed changes to regulatory regime. The quantitative calculation involved the calculation of technical reserves using 13 different scenarios. The results of the participating insurance undertakings were first verified by national supervisory authorities and then compiled by the EIOPA for the whole European Union. This article assesses the data of participating insurance undertakings licensed in Slovakia and, based on the results, offers some reasons why the measures proposed by the European Commission do not need to be implemented in the Slovak insurance sector. The first part of the article focuses on the impact analysis of scenarios 1 to 3, while the second part, to be published in the next issue of Biatec, will look at the impact of the remaining scenarios (p. 5).

SEPA credit transfer and direct debit – new today, standard tomorrow

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The replacement of national credit transfers and direct debits with common SEPA payment instruments from 1 February 2014 in the Slovak Republic is a direct consequence of SEPA implementation in the country. The SEPA credit transfer scheme allows payment service providers to offer payments in euro currency individually or in bulk. Standards facilitate payment origination, processing and reconciliation, while processes are based on STP (straight-through processing) without manual inputs. The main features of the SEPA credit transfer scheme are the International Bank Account Number (IBAN), Business Identifier Code (BIC) and ISO 20022 XML data format. The European Payments Council launched the SEPA direct debit scheme in order to achieve the necessary level of confidence in financial planning for all payment market participants. The SEPA direct debit (SDD) is the first direct debit payment instrument that can be used for cross-border direct debits and its features include: IBAN, BIC, XML data format, a mandate, due date anticipating, pre-notification, and creditor identifier (CID). The SDD Core Scheme allows the biller to collect funds from the payer's account provided that a signed mandate has been granted by the payer to the biller. The SDD Business to Business (B2B) scheme underpins the development of products for corporate clients wishing to include direct debits in their business transactions (p. 12).

Selected aspects of solving housing needs in Slovakia

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Housing needs in Slovakia are now becoming acute, further highlighting the fact that the number of apartments per 1000 inhabitants in the country is relatively low in comparison with the European average. Households usually address their housing needs by taking loans, and since credit conditions have become looser amid growing competition between credit institutions, demand for housing loans has increased. However, the cost of housing loans in Slovakia remains higher than that in three-quarters of EU countries, including countries that are more stressed than Slovakia (p. 16).

Minimum Spanning Tree application in the currency market

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This paper is inspired by the Minimum Spanning Tree (MST) methodology originally used in the field of stock returns. Our objective here is to apply the MST approach in foreign exchange markets, using it to provide clear visualisation of complex and intricate market relations. We identified mutual positions of relevant European and world currencies, and our findings were further confirmed and complemented by the Sammon method. European currencies are shown to be characterised by comparatively high diversity, and the central position of China-related economies such as Hong-Kong and Singapore is proved. In the central European region, the Polish currency appears to have a crucial role (p. 21).

The Basel Capital Accords and capital adequacy of banks in Slovakia

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This article analyses the history and development of the Basel Capital Accords – the capital agreements known as the Basel Capital Accord, New Basel Capital Accord, Basel II, and Basel III. It focuses on gradual changes in capital requirements under each framework, and on the Basel III framework, which is to be implemented gradually between 1 January 2013 and 1 January 2019. New types of capital requirements are to be introduced, including a capital conservation buffer and countercyclical buffer, and there is also the new concept of systematically important financial institutions. The article examines the readiness of Slovak banks for implementation of the Basel III framework, as well as the capital adequacy of the Slovak banking sector. The last part of the article estimates the impact of the new Basel III framework on banks in the European Union (p. 24).

Financial derivatives and public debt management

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When managing public debt, general government subsectors, particularly central government, enter into derivative contracts to hedge against interest or currency risk. Some countries have sought to comply with the Maastricht criteria by using swaps, among other instruments, to mask the true level of their debt, employing tools such as swap cancellations, currency swaps and interest rate swaps at off-market prices. Now Eurostat has completed a methodological framework for recording some specific financial derivatives transactions which should ensure appropriate measurement of government deficit and debt as well as homogeneous treatment across Member States (p. 28).