



COMPREHENSIVE ASSESSMENT OF BANKS

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Before assuming prudential supervision responsibilities, the ECB in co-operation with the National Competent Authorities (in Slovakia it is Národná banka Slovenska) carried out a comprehensive assessment of banks. Its aim was to review asset quality and capital available of the banks included in the assessment. The stated objectives of this exercise were to (i) strengthen banks' balance sheets by repairing the problems identified through the necessary remedial actions; (ii) enhance transparency by improving the quality of information available on the condition of the banks; and (iii) build confidence by assuring all stakeholders that, on completion of the identified remedial actions, banks will be soundly capitalised. At the same time, the comprehensive assessment represents a basic stage achieved within the ECB's preparation for the Single Supervisory Mechanism. (p. 4)

SINGLE SUPERVISORY MECHANISM AND THE ECB ORGANISATIONAL STRUCTURE

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By setting up the Single Supervisory Mechanism (SSM), the ECB took over certain tasks related to supervision of credit institutions. This new function required some changes and internal reorganisation of the ECB's structure in order to ensure separation of the ECB's monetary policy function from its supervisory tasks. Within the organizational structure of the ECB, special bodies have been established necessary for the decision-making process and new units created that ensure execution of the supervisory tasks in relation to credit institutions. Among the important elements is also cooperation between the ECB and national competent authorities. It aims at ensuring effective and consistent functioning of the SSM, with the purpose of maintaining the sound and stable banking sector. (p. 8)

NATIONAL RESOLUTION AUTHORITY AND ITS POWERS

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The article informs about the creation of a new resolution authority to deal with crisis situations, which will become operational once the new law on dealing with crisis situations comes into effect, i.e. from 1 January 2015. This article presents basic tasks, scope and powers of the Resolution Council. Special attention is paid to its authorisation to encroach upon the property rights of shareholders and creditors, which the Resolution Council may apply only in exceptional cases. This means the cases when it is not possible, within a reasonable time, to ensure the continuation of critical functions of selected institutions by other measures in order to prevent a failure of any of these institutions and its negative impact on the financial market. An analysis suggests that the power to enter upon the property rights of shareholders and creditors may be provided for in the Constitution of the Slovak Republic and analogous with powers regulated by other generally binding legislation. (p. 11)

NEW ARCHITECTURE OF SUPERVISORY AUTHORITIES ENTERS ITS FOURTH YEAR OF FUNCTIONING

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Regulations creating new supervisory architecture in the EU, that have also anchored the creation of the European Supervisory Authorities, lay down a duty for the European Commission to submit a report on functioning of these authorities in 2014. More than three years after the establishment of the ESAs in January 2011 the Commission submits an evaluation report on them to the European Parliament and the Council. The first part of this article aims to summarise the report's most important parts, findings and plans for further path of the European Supervisory Authorities in the medium term, whereas its second part offers the authors' views on the future functioning of these authorities. (p. 14)

NÁRODNÁ BANKA SLOVENSKA TAKES OVER CONSUMER PROTECTION SUPERVISION ON THE FINANCIAL MARKET

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As from January 2015 Národná banka Slovenska takes up the duties of the Slovak Trade Inspection in the area of consumer protection supervision on the financial market. Transfer of this competence is based on the amendment of Act No 747/2004 Coll. on supervision of the financial market and on amendments to certain laws. In accordance with the new competences, Národná banka Slovenska will be responsible for the protection of financial consumers, i.e. supervision of compliance with consumer rights by entities subject to its supervision when offering or providing financial services or transactions. The article deals with the tasks and objectives of consumer protection supervision and specifies the tools which will be used for this purpose. (p. 19)

FIRST EXPERIENCE WITH THE IMPLEMENTATION OF LIQUIDITY REQUIREMENTS

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In the course of 2014, liquidity risk management under common European rules entered its implementation phase. It was characterised by three key events: (i) the introduction of common reporting under the CRR, (ii) the ECB taking over supervision of some banks, and (iii) preparation and subsequent publication of the European Commission's delegated act on the more detailed specification of items and future liquidity coverage ratio (LCR) calculation. At the national level, following sector consultation, the liquidity coverage ratio was updated in the course of the year with effect from 1 December 2014. Clearly, it can be said that – in the context of other innovations in the area of regulation – this period of changes is very demanding both for supervised institutions and the conduct of supervision itself, not only in terms of regulation methodology but also from a technical point of view. In this article we would like to describe the first experiences gained in this period and some of the changes in progress. (p. 22)

EUROPEAN COMMISSION PREPARES A PROJECT ON CAPITAL MARKETS UNION

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The European Commission led by the new president, Jean-Claude Juncker, has introduced a fresh topic in the area of financial market regulation – the Capital Markets Union. Its creation is currently in the preparatory stage and in the mid-2015 the new EU Commissioner for Financial Stability, Financial Services and Capital Markets Union, Jonathan Hill, should present specific steps towards the Union's establishment. This article describes certain areas to be tackled by the Commission while drawing up a legal framework regulating the Capital Markets Union, and tries to assess the usefulness of the considered measures. (p. 25)

NBS RECOMMENDATION ON RISKS RELATED TO DEVELOPMENTS IN THE RETAIL LENDING MARKET

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The situation in the retail lending market is one of the principal factors affecting stability of the banking sector in Slovakia. This relates mainly to housing loans, since their recent growth rate has been among the highest in any EU country. Loan refinancing has also had a significantly increasing impact. However, the analysis of current developments has shown that parameters for lending in the banking sector are insufficiently prudential. In order to promote financial stability, Národná banka Slovenska issued Recommendation No 1/2014 of 7 October 2014 on risks related to market developments in retail lending in the area of macroprudential policy. The main aim of the Recommendation is to prevent further accumulation of these risks, although the negative impacts of these risks on banks and their clients have not yet been significantly manifested. (p. 28)