



7 EUROPEAN AFFAIRS AND INTERNATIONAL COOPERATION

7.1 EUROPEAN AFFAIRS

EUROSYSTEM AND SINGLE SUPERVISORY MECHANISM

The Eurosystem 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's main decision-making body, the Governing Council, which is primarily responsible for the conduct of monetary policy for the euro area and also for the Single Supervision Mechanism (for the supervision of significant credit institutions in SSM-participating EU Member States). The Governor is also a member of the ECB's 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 (ESCB) and SSM, established for all the main areas of central bank activity. During 2015 more than 80 NBS employees participated directly in the work of these committees and their working groups. The participation of NBS departments in Eurosystem and SSM tasks constitutes a substantial part of the central bank's activities.

EUROPEAN UNION

In 2015 NBS had a delegation at two informal ECOFIN Council meetings, the first in Riga in April and the second in Luxembourg in September. The discussions in Riga centred on the economic situation in EU countries, financial stability, structural reforms, support for investment in the EU, and issues related to the creation of the Capital Markets Union.

In Luxembourg, the focus of the talks was the deepening of the Economic and Monetary Union (EMU) and financing for the Single Resolution Fund.

7.2 COOPERATION WITH INTERNATIONAL INSTITUTIONS

INTERNATIONAL MONETARY FUND (IMF) AND WORLD BANK GROUP (WBG)

The IMF/WBG Spring Meetings and Annual Meetings were the main events for the Bretton Woods institutions in 2015, the first being held in Washington DC in April and the second in Lima, Peru in October. The Spring Meetings included the presentation of the IMF's World Economic Outlook (WEO) and Global Financial Stability Report (GFSR), and discussions on pressing issues in the international monetary system and the current state of the reform of members' quotas and IMF governance. At the Annual Meetings, the IMF's Board of Governors discussed the institution's Annual Report, financial statements, and amendments to its internal documents.

In October 2015 the IMF conducted its annual Mission to Slovakia, in accordance with Article IV of the IMF's Articles of Agreement. The Mission had been preceded by consultations in May 2015. In its concluding statement, the IMF Mission said that growth in Slovakia was accelerating due to strong domestic demand, that well-designed fiscal measures would help support policies to reduce still-high joblessness and regional disparities, and that vigilant application of macroprudential policies would help guard against potential risks from rapid household credit growth.

Slovakia's commitments to the IMF as at 31 December 2015 were as follows: SDR 102.5 million under the Financial Transactions Plan (FTP) and SDR 4.9 million under the bilateral loan agreement.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

In 2015 NBS representatives regularly participated in meetings of OECD committees and working groups in Paris, as well as in meetings of a Coordination Committee at the Slovak Ministry of Foreign and European Affairs which addresses Slovakia's activities in the OECD.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

The 24th Annual Meeting of the EBRD's Board of Governors was held in the Georgian capital,



Tbilisi, in 2015, and included the participation of a Slovak delegation led by the NBS Governor. The meeting approved a reallocation of €130 million from the EBRD's general reserves to its Special Shareholders Funds. Approval was also given to the EBRD's Strategic and Capital Framework (SCF) for 2016 to 2020, which provides a broader outline of the EBRD's strategic aims for the coming years.

BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

The NBS Governor attends the regular BIS meetings of central bank governors. Six such All Governors' Meetings were held in 2015, and the topics discussed included: financial markets and the role of central banks; financial inclusion and education – the challenges for central banks; central clearing – trends and current issues; the impact of technological innovations on productivity growth; and economic imbalances versus monetary policy.

The NBS Governor also attended the 85th Annual General Meeting of the BIS, held in Basel. The main items on the agenda were the approval of the BIS's financial results and the distribution of its profit and dividends.

7.3 INTERNATIONAL ACTIVITIES IN THE FIELD OF SUPERVISION

EUROPEAN SYSTEMIC RISK BOARD (ESRB)

The meetings of the ESRB's General Board in 2015 dealt not only with systemic risk factors and intensity, but also with several other issues that may be divided into three groups.

One group, concerning the analytical area, included the following topics: a common methodology for identifying potentially systemic risks to financial stability arising from the interlinkage between banks and firms; market liquidity issues; the impact of the low interest rate environment on financial stability; current systemic risks in the insurance sector; and the residential and commercial property markets vis-à-vis financial stability and measures to mitigate the related risks.

A second group included: macroprudential policy in regard to the application of the leverage ratio; the cross-border effects of macroprudential policy decisions and reciprocity in the taking of such decisions; and the setting of the countercy-

clical capital buffer rate in both EU and non-EU countries.

The third key area concerned the formulation of scenarios for the EBA and EIOPA stress tests.

EUROPEAN BANKING AUTHORITY (EBA)

As a member of the EBA, NBS helps to ensure the fulfilment of tasks set by the EBA's Management Board. In 2015 NBS continued to cooperate with the EBA through participation in committees and working groups, especially in the drafting of regulatory technical standards (RTSs) required under the EU's Capital Requirements Regulation and Directive (CRR/CRD IV). NBS was actively involved in this agenda at all levels of competence, from working groups to the highest approval bodies. It continued to contribute to the drafting of RTSs concerning new requirements for the improved supervision of banks and investment firms and for the implementation of certain specific articles of the CRR, as well as to the provision of guidance on the CRR and CRD IV – two core planks of EU legislation on bank regulation – via the EBA's 'Q&A tool'.

GROUP OF BANKING SUPERVISORS FROM CENTRAL AND EASTERN EUROPE (BSCEE GROUP)

On 24 June 2015 Bratislava hosted the fourth High-level Meeting for Central and Eastern Europe, a gathering of representatives from CEE countries' bank supervisors organised by the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Institute (FSI), in cooperation with the Group of Banking Supervisors from Central and Eastern Europe (BSCEE) and Národná banka Slovenska. The meeting, opened by the NBS Governor, featured discussions on a range of topics, including: the application of the Basel III framework in respect of total loss-absorbing capacity, capital requirements and interest rate risk in the banking book; the implementation of macroprudential buffers in the global environment; the security of payment systems; and cybercrime.

On the next day, 25 June, NBS hosted the BSCEE Group's Annual Conference, with NBS at that time holding the rotating chairmanship of the group. The gathering was opened by Mr Vladimír Dvořáček, a member of the NBS Bank Board and Executive Director of NBS's Financial Market Supervision Authority. The BSCEE Group brings together banking supervisors from CEE countries



with the aim of improving cooperation between the institutions and providing a forum for the exchange of information and experience.

EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY (EIOPA)

2015 was an important year for EIOPA, mainly because the transposition of the Solvency II Directive into national law was completed. The result was new insurance legislation which came into force on 1 January 2016. The law dispenses with in-depth statutory requirements and introduces a regime based on principles that are further elaborated in Implementing Technical Standards (ITSs) and Guidelines. Establishing the new regime required also the amending of secondary legislation, in particular decrees linked with the previous Insurance Act (dating back to 2008).

In February 2015 EIOPA made an on-site visit to NBS, which involved reviewing the national regulator's preparations for the new Solvency II regime and auditing its performance of insurance sector supervision. EIOPA's assessment of the bank's supervision of the insurance market was favourable. The result of the on-site visit was a final report containing 39 recommendations, mostly concerned with staffing issues.

At December's meeting of EIOPA's Board of Supervisors, the authority's main decision-making body, the director of the NBS's Regulation Department joined EIOPA's Management Board as one of its six members who are representatives of national supervisory authorities. The Management Board ensures that EIOPA carries out its mission and performs the tasks assigned to it.

NBS was actively involved in EIOPA peer reviews conducted during 2015. These exercises result in evaluation reports that have such aims as enhancing the quality of services provided by supervised entities, improving the performance of supervision, and facilitating the exchange of information.

In the area of pensions, EIOPA continued work on the development of an EU single market for personal pension products.

EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA)

At the beginning of 2015, following the signing of delegation agreements by national com-

petent authorities (NCAs) and ESMA, work was launched on two IT delegated projects: FIRDS and TRACE. Národná banka Slovenska was involved with TRACE from the outset and joined FIRDS later. The purpose of TRACE is to establish a single point of access through which all connected NCAs may retrieve data reported to trade repositories by market entities in accordance with the European Market Infrastructure Regulation (EMIR). The purpose of FIRDS is to ensure, at ESMA, the central collection of financial instrument data from trading venues and the storage, processing and publication of that data, including transparency-related calculations in accordance with MiFID II⁴⁴ and MiFIR⁴⁵.

One of the main tasks of ESMA in 2015 was to draft technical standards implementing provisions of MiFID II and MiFIR. The drafting of 30 regulatory and 11 implementing technical standards was undertaken by several working groups, and the final drafts of the standards, together with final reports, were published and submitted to the European Commission.

Another significant regulatory issue for ESMA was the implementation of EMIR, including relevant regulatory and implementing technical standards, as well as questions surrounding the common approaches and practices to be followed by supervisors when applying this regulation.

In 2015 ESMA's Board of Supervisors approved two mandates for evaluating the uniformity of NCAs approaches and procedures in the exercise of supervision. One concerns the practice of the supervision of entities authorised to provide investment services, and specifically the rules for their eligibility under MiFID II, and the other concerns peer review of the securities prospectus approval process. The subject-matter of these evaluations, which are still ongoing, also falls within the supervisory remit of NBS's Financial Market Unit.

In connection with the building of a Capital Markets Union and with the approval of a Supervisory Convergence Work Programme, a decision to rename ESMA's Review Panel as the Supervisory Convergence Standing Committee was approved by ESMA at a meeting in 2015.

⁴⁴ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II).

⁴⁵ Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (MiFIR).



7.4 TECHNICAL COOPERATION

In 2015 Národná banka Slovenska provided technical assistance to the Belarusian central bank, in the areas of financial market supervision, cash circulation and commemorative coins.

As part of the European Commission's Technical Assistance and Information Exchange (TAIEX) programme, officials from Montenegro visited NBS to learn about the anti-money laundering measures implemented in Slovakia.

8 COMMUNICATION

Národná banka Slovenska works to develop, modernise and enhance its communication tools, so as to be as effective as possible in meeting the demand for information and in addressing target groups. In this regard, the bank places great importance on openness and transparency and aims to maintain its high standing in the eyes of the Slovak public. The data, reports and analyses published by NBS are an important source of information for economists, research and educational institutions, and the media.

A central pillar of NBS communication policy is participation in the Eurosystem's joint communications procedures, which primarily involves regular provision of information on monetary developments and monetary policy decisions in the euro area and on the Single Supervisory Mechanism (SSM). The bank also publishes information on developments in the Slovak and European economies and on the banking sector and other segments of the financial market, as well as details of their impact on financial stability in Slovakia.

Other issues that featured prominently in the bank's communication with the general public during 2015 included: the issuance of a new €20 banknote⁴⁶ as part of the second series of euro banknotes (entitled 'Europa'); financial consumer protection, the licensing process for creditors, and the supervision of creditors (non-bank entities).

NBS communication also involves dealing directly with the public by e-mail. In 2015 the bank's specialist departments answered a total of 3,604 e-mails from members of the public, of which 48 were requests for information under the Freedom of Information Act (No 211/2000 Coll.).

PUBLICATIONS

NBS regularly issues publications that provide information and analyses concerning the bank's main fields of activity. Among these texts are the Annual Report, Financial Stability Report, Analysis of the Slovak Financial Sector, Monthly Bulletin, Medium-Term Forecast, and Statistical Bulletin. The Report on the International Economy and the Report on the Slovak Economy started to be released as separate quarterly publications in 2015, after previously being published each quarter as annexes to the Monthly Bulletin⁴⁷.

The bank's regular Analytical Reports on selected issues and Flash Reports on specific macroeconomic indicators are valued for their up to date information. A total of 12 Analytical Reports and 141 Flash Reports were published in 2015. In 2015 the NBS macroeconomic database was enhanced to provide the public with a broad range of macroeconomic time series data in a tabular form. The bank also addresses current economic issues through analyses and working papers⁴⁸. In line with the principles of the Eurosystem/ESCB's multilingual communication system, NBS participates in the drafting of Slovak language versions of the ECB's official publications⁴⁹.

Official publications of NBS are issued in electronic form only. To make its information as easy to access as possible, NBS also produces ePUB versions of its key publications and includes QR codes in its information materials.

The bank's Biatec journal plays an important role in communication activities, providing specialist articles in the area of banking, finance and economics. Through Biatec, NBS interacts with authors and readers from the banking and financial sector, academia, and the educational sector.

⁴⁶ For further details, see Part B, Chapter 3 'Issuing activity and currency circulation'.

⁴⁷ Available online at <http://www.nbs.sk/en/publications-issued-by-the-nbs>

⁴⁸ Available online at <http://www.nbs.sk/en/publications-issued-by-the-nbs/research-publications>

⁴⁹ Available online at <http://www.nbs.sk/en/publications-issued-by-the-nbs/ecb-publications>