



ness and a former member of the Board of Governors of the Federal Reserve System, and Andrew Filardo, Head of Monetary Policy at the Bank for International Settlements and a former member of the US President's Council of Economic Advisers. Among the issues discussed were: how to estimate the impact of specific non-standard monetary policies on inflation, economic growth and employment; how to correctly time and sequence the implementation of non-standard monetary policies; the causes and consequences of the current low inflation environment; the importance of central bank forward guidance as a monetary policy tool; and monetary policy transmission in small open economies. The conference was attended by representatives of cen-

tral banks and leading European academic institutions.

In 2016 NBS hosted or co-hosted more than 30 seminars for experts. Some of the events had a discussion format and addressed current economic issues. Most were research-oriented and provided a platform for domestic and foreign researchers to present the interim or final outcomes of their work.

In 2016, as a way of supporting economic research in Slovakia, NBS established a doctoral study and research support programme and a visiting researcher programme. Both programmes also extended the central bank's opportunities in regard to external research cooperation.

7 EUROPEAN AFFAIRS AND INTERNATIONAL COOPERATION

7.1 EUROPEAN AFFAIRS

EUROPEAN UNION (EU)

Of the events on the EU's agenda in the first half of 2016, the most significant for Národná banka Slovenska (NBS) was the April informal meeting of the ECOFIN Council in Amsterdam, which focused on strengthening of the Banking Union, the "Panama Papers", and sustainable finances.

On 1 July 2016 Slovakia, for the first time in its history, assumed the Presidency of the Council of the EU. During the six months of its EU Presidency, Slovakia was responsible for chairing and coordinating meetings at all levels, from expert to ministerial. The Slovak EU Presidency represented a major challenge also for NBS, which, within the field of its competences, cooperated with Slovakia's Ministry of Finance on, primarily, outstanding issues concerning the EU's Banking Union and Capital Markets Union (CMU). Under the Slovak EU Presidency, discussions on CMU-related amendments to the legal regime for prospectuses ('the Prospectus Directive') were brought to a successful conclusion. NBS staff contributed to the agenda related to the proposed Money Market Funds Regulation. Furthermore, in the fight against international terrorism, the Slovak EU

Presidency oversaw the approval of a draft directive amending the directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

From NBS's perspective, the most important event of the Slovak EU Presidency was the September informal meeting of the ECOFIN Council in Bratislava, which was attended by finance ministers and EU Member States' central bank governors, as well as by the ECB's President, Mario Draghi. The main topic of this meeting was a euro area joint fiscal capacity and related fiscal mechanism alternatives. The ECOFIN Council was preceded by a meeting of EU Member States' central bank governors with the ECB President, at which views were exchanged on ECOFIN issues and on the efficiency of the European Fund for Strategic Investments in supporting EU economic growth.

7.2 COOPERATION WITH INTERNATIONAL INSTITUTIONS

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

In 2016 NBS was, as usual, represented at the Spring and Annual Meetings of the IMF and WBG



(the Bretton Woods institutions), all of which were held in Washington DC. The Spring Meetings in April included the presentation of the IMF's most recent multilateral surveillance documents – the World Economic Outlook (WEO) and the Global Financial Stability Report (GFSR). Participants also discussed pressing issues related to the strengthening of the international monetary system, as well as the effects of highly volatile capital flows. The Annual Meetings in October, attended by NBS representatives saw the IMF's Board of Governors discuss the autumn editions of WEO and GFSR, as well as the IMF's Annual Report and its financial statements. Among important milestones for the IMF in 2016 were the adjustment of IMF members' quotas at the 14th General Review of Quotas, which increased the total quotas from SDR 238.5 billion to SDR 477 billion, and the inclusion of the Chinese renminbi in the special drawing right (SDR) currency basket.

An IMF 'Staff Visit' to Slovakia at the beginning of June 2016 provided an opportunity for informal discussions between IMF and Slovak representatives. The meetings between the IMF delegation and NBS representatives included exchanges of views on Slovakia's macroeconomic development and outlook, the condition of the Slovak financial sector and recent developments in Slovakia's balance of payments.

As at 31 December 2016 Slovakia's reserve position with the IMF stood at SDR 153.3 million (15.3% of quota). In 2016 the IMF fully repaid the outstanding amount of funds borrowed under the 2010 bilateral loan agreement between Slovakia and the IMF (SDR 5 million).

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

In March 2016 OECD representatives met with NBS staff members for discussions relating to the OECD's *Economic Survey of the Slovak Republic 2017*, specifically on the country's macroeconomic situation and developments in its banking sector. In 2016 NBS representatives regularly participated in meetings of OECD committees and working groups, as well as in meetings of the Coordination Committee established at the Slovak Ministry of Foreign and European Affairs for the purpose of overseeing Slovakia's activities in the OECD.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

In May 2016 the EBRD's Board of Governors held its anniversary 25th Annual Meeting in London, under the main theme: *Influencing Change – The Next 25 Years*. The meeting included the re-election of the current EBRD President for another four years.

BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

The NBS Governor attends the regular BIS meetings of central bank governors. Six such All Governor's Meetings were held in 2016, and their discussion covered a range of current issues, including liquidity support mechanisms, cyber risks in central banking, foreign market interventions and economic resilience.

At the BIS Annual General Meeting in June 2016, the main items on the agenda were the approval of the BIS's financial results and the distribution of its profit and dividends. In November 2016 the NBS Governor attended an Extraordinary General Meeting of the BIS, convened to amend the BIS Statutes regarding the composition and functioning of the Board of Directors.

7.3 INTERNATIONAL ACTIVITIES IN THE FIELD OF SUPERVISION

EUROPEAN SYSTEMIC RISK BOARD (ESRB)

In 2016 five meetings of the ESRB General Board were held. In the Board, NBS was represented by its Governor and the Executive Director of its Financial Market Supervision Unit. The meetings dealt with several issues in addition to their regular focus on developments in systemic risk factors and intensity.

One issue was the assessment of risks stemming from developments in the residential real estate market across Member States. In response to the risks identified, the ESRB issued warnings to eight Member States²¹. Although Slovakia was among countries that the ESRB identified as having elevated risks in its residential real estate market, it was not issued with a warning owing to the measures that NBS had adopted and planned to adopt. The ESRB published its warnings and assessment report in November 2016. A second issue was the assessment of risks stemming from the persisting period of low interest rates.

²¹ Warnings ESRB/2016/05 to ESRB/2016/12 on medium-term vulnerabilities in the residential real estate sector of Austria, Belgium, Denmark, Finland, Luxembourg, the Netherlands, Sweden and the United Kingdom.



The final report, including proposed remedies, was published by the ESRB in November 2016. A third issue concerned the assessment of risks related to shadow banking activities. Preliminary findings were published in several articles, as well as in the first issue of the *EU Shadow Banking Monitor*. The ESRB also published proposals in regard to the *Review of the Macro-prudential policy framework*, which the European Commission plans to conduct in 2017. In addition, the ESRB also provided adverse scenarios for EBA and EIOPA stress tests, published a recommendation on data collection for the residential and commercial real estate sector, and explored possibilities of implementing macroprudential supervision in the insurance and capital market sectors.

EUROPEAN BANKING AUTHORITY (EBA)

In 2016 NBS's ongoing cooperation with the EBA focused on the drafting of regulatory technical standards (RTSs) required under the EU's Capital Requirements Regulation and Directive (CRR/CRD IV). NBS cooperated with EBA at all levels of competence, from working groups to the highest approval bodies. NBS was involved in the drafting of RTSs relating to new requirements for improving the supervision of banks and investment firms and for implementing specific articles of the CRR.

EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY (EIOPA)

EIOPA underwent significant changes in 2016 in connection with the new Solvency II regulatory regime, which entered into force at the start of the year. These included an overhaul of its organisational structure, as well as a shift in the focus of its activities, away from regulation and towards supervision. At the same time, EIOPA is increasingly addressing supervisory oversight and consistency across Member States, with the aim of ensuring maximum supervisory convergence.

The change in EIOPA's organisational structure consisted mainly of separating the decision-making and technical levels. As a result, new steering committees were established, comprising members of the highest decision-making body (Board of Supervisors). Their task is to manage the respective working groups and create suitable working conditions for them. In addition, a permanent group of experts (Expert Network) was established within EIOPA for the purpose of selecting staff members to perform specific tasks within the working groups.

In 2016 six Slovak insurance companies were subjected to a stress test to assess their resilience to two adverse market scenarios. One scenario consisted of persisting low returns in financial markets, and the other of evolving non-standard market conditions under which a prolonged period of low returns is expected together with a sharp fall in prices of certain assets (mainly in the equity and bond markets but spilling over into other types of assets). All the companies, representing a market share of 84.3% (by share of life insurance technical reserves), performed well in the test, and the Slovak insurance sector was shown to maintain solvency even under the adverse scenarios. As for the area of pension funds in 2016, the NBS Financial Market Supervision Unit participated in the drafting of the final report on the results of the EU stress test for occupational pensions, which EIOPA carried out in 2015. The results for the resilience of Slovak pension fund management companies were favourable.

EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA)

In 2016 ESMA underwent a significant shift in the focus of its activities. After spending the post-crisis years contributing to the establishment of a single rulebook for the entire European capital market, ESMA started to pay more attention to promoting supervisory convergence in the implementation of these rules across Member States. This shift was signalled by a document entitled *ESMA Strategic Orientation 2016–2020*, in which ESMA, inter alia, declares its ambition to complete the single rulebook for capital markets and gradually focus more on the convergence of supervisory practices of national competent authorities (NCAs).

In 2016 ESMA launched the first phase of its IT delegated project TRACE, which provides participating NCAs, including Národná banka Slovenska, with a single point of access through which they may retrieve data reported to trade repositories by market entities in accordance with the European Market Infrastructure Regulation (EMIR). Work also continued on the project's second phase, and on preparations for another delegated project, called FIRDS. The purpose of FIRDS is to ensure, at ESMA, the central collection of financial instrument reference data from trading venues and the storage, processing and publication of that data, including related calculations, in accordance with the MiFIR Regulation.



7.4 TECHNICAL COOPERATION

NBS's long-established technical cooperation programmes with the central banks of Belarus and Ukraine continued in 2016. NBS organised two seminars for representatives of the National Bank of the Republic of Belarus (NBRB), one on payment systems and another on foreign reserves

management. The NBRB, for its part, hosted a seminar on operational risk management that was attended by an NBS representative. NBS also organised two seminars for representatives of the National Bank of Ukraine (NBRB), one on a cash circulation management model and another on the preparation of a statistics collection portal and related IT solutions in the field of statistics.

8 COMMUNICATION

Národná banka Slovenska (NBS) considers the task of informing and communicating with professionals and the general public to be crucial to the effective fulfilment of its objectives as a central bank. NBS seeks to address specific target groups as efficiently as possible, and in doing so it places great importance on openness, transparency, and maintaining its high standing in the eyes of the Slovak public. The reports and analyses published by NBS are an important source of information for economists, research and educational institutions, and the media.

A key element of NBS's communication policy is participation in the Eurosystem's joint communications procedures, which primarily involves the regular and timely provision of information on monetary policy decisions and European banking supervision, on current developments in the Slovak and European economies, and on the banking sector and other financial market segments and their impact on financial stability in Slovakia.

NBS provided information on many issues during 2016, including in particular the following: important changes concerning the Single Euro Payments Area (SEPA); the issuance of the new €50 banknote and the discontinuance of production of the €500 banknote; the new Housing Loan Act and Consumer Credit (Amendment) Act, including related NBS decrees; property prices; financial consumer protection; and the supervision of creditors.

NBS may be contacted by e-mail at the addresses provided on its website. In 2016 it received 3,553 e-mails, including: 3,075 at the addresses dedicated to communication with the public, info@nbs.sk and webmaster@nbs.sk; 52 at the address

assigned to requests for information under the Freedom of Information Act (No 211/2000 Coll.), infozakon@nbs.sk; and 426 at the address for media enquiries, press@nbs.sk. The e-mails from the public included complaints about commercial banks and insurers.

PUBLICATIONS

Through its specialist periodical publications, NBS provides professionals and the wider public with information and analyses about its main fields of activity. These publications include the Annual Report, Financial Stability Report, Analysis of the Slovak Financial Sector, Monthly Bulletin and four issues of each of the following publications: Report on the International Economy, Report on the Slovak Economy, Medium-Term Forecast, and Statistical Bulletin.²²

The bank's regular Analytical Commentaries on selected issues and Flash Commentaries on specific macroeconomic indicators are valued for their up to date information. A total of 10 Analytical Commentaries²³ and 140 Flash Commentaries²⁴ were published in 2016. At the same time, improvements were made to the macroeconomic database, which provides numerous structured economic data in the form of time series. NBS staff members also address current economic issues through the publication of other analyses and working papers.²⁵ In order to fulfil the multilingual communication principles of the Eurosystem/European System of Central Banks (ESCB), Eurosystem/ESCB central banks are required to participate in the drafting of the official ECB publications in the language of their own country, and therefore NBS is involved in the drafting of Slovak language versions of these texts.²⁶

²² <http://www.nbs.sk/en/publications-issued-by-the-nbs>

²³ <http://www.nbs.sk/sk/menova-politika/analyticke-komentare>

²⁴ <http://www.nbs.sk/sk/menova-politika/rychle-komentare>

²⁵ <http://www.nbs.sk/en/publications-issued-by-the-nbs/research-publications>

²⁶ <http://www.nbs.sk/sk/publikacie/publikacie-ecb>