



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

CHAPTER 9

FOREIGN ACTIVITIES



9 FOREIGN ACTIVITIES

9.1 THE EUROPEAN UNION (EU)

At the level of cooperation between Národná banka Slovenska and various EU institutions, the most important relationship is between NBS and the European Central Bank.

THE EUROSISTEM, ESCB AND ECB

As of when the Slovak Republic adopted the euro currency, on 1 January 2009, Národná banka Slovenska became a member of the Eurosystem. At the technical level, this involved paying up the full amount of its share in the ECB capital and transferring a proportion of its foreign reserves to the ECB. NBS's share in the ECB capital is based on Slovakia's share of the EU total population and its share of the EU overall GDP. Accordingly, NBS has a share of 0.6934%, amounting to €39,944,363.76. The value of the foreign reserves transferred to the ECB in accordance with Art 30.1 and 49.1 of the ECB Statutes represented €443,086,155.98.

From the institutional view, NBS became a full member of the Eurosystem as of 1 January 2009. At the same time, NBS Governor automatically took a seat on the ECB Governing Council, the Eurosystem main decision-making body. Thereafter, NBS representatives started to participate in the work of Eurosystem/ESCB committees and working groups convened in the standard composition. This composition is reserved for Eurosystem NCBs, and the matters discussed at these meetings are relevant thereto. Since 1 January 2009, NBS has been taking part in the decentralized performance of the Eurosystem tasks, and sharing its profits or losses, in accordance with applicable legislation.

NBS continues to be part of the European System of Central Banks (ESCB) and the NBS Governor remains a member of the ECB General Council. The NBS Governor attended all four of the General Council meetings held in 2009.

In 2009, the NBS Governor also attended all 22 meetings of the ECB Governing Council, 21 of which were held in Frankfurt and one in Venice. The number of NBS staff sitting on Eu-

rosystem/ESCB committees and their working groups stood at almost seventy as at 31 December 2009. As for written procedures under which decisions of the ECB Governing Council are adopted, a total of 208 were commenced in 2009. Consultations over national legislation or EU legislation which falls within the ECB competence and on which the ECB delivers an opinion continued to be held in 2009. Each member of the ECB General Council is entitled to comment on ECB opinions, and the NBS Governor exercised this right in full in 2009. In all, 101 such consultations were commenced in 2009. In regard to Slovak legislation, the ECB delivered the following opinions:

- Opinion of the European Central Bank of 27 May 2009 on measures to mitigate financial turmoil (CON/2009/49), delivered at the request of the Slovak Ministry of Finance;
- Opinion of the European Central Bank of 29 September 2009 on payment services (CON/2009/75), delivered at the request of the Slovak Ministry of Finance;
- Opinion of the European Central Bank of 27 October 2009 on Národná banka Slovenska's independence (CON/2009/85), delivered at the request of Národná banka Slovenska.

Opinions on national and EU legislation falling within the ESCB's competence are published on the ECB website.²⁰

OTHER EU INSTITUTIONS

During 2009, NBS was regularly involved in the activities of the EU institutions. The Bank's top representatives took part in informal meetings of the Council of Ministers for Economic Affairs and Finance (ECOFIN), which are held twice a year in whichever country holds the EU Presidency. At the April meeting in Prague (the Czech Republic) and the October meeting in Gothenburg (Sweden), discussions centred on the economic and financial situation, especially on agreements in the area of European supervision, financial markets, financial stability, and measures adopted in response to the international economic crisis.

Národná banka Slovenska is involved in the EU decision-making process through its representatives on selected committees and work-

²⁰ <http://www.ecb.int/ecb/legal/opinions/html/index.en.html>



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ing groups of the EU Council and the European Commission. NBS experts attend meetings of the European and Financial Committee (EFC) of the EU Council and its Sub-committee on IMF and Related Issues (SCIMF). Within the European Commission, NBS experts attend meetings of the European Commission committees and sub-committees for supervision (CEBS, CEIOPS, and CESR), meetings of the committee and working groups for monetary and financial statistics and balance of payment statistics, as well as meetings of the Mint Directors Working Group and working groups of the Financial Services Committee (FSC).

In 2009, NBS participated in the Slovak Republic decision-making process for the EU affairs by preparing materials for the drafting of instructions and by the attendance of NBS representatives at meetings of the Committee for EU Affairs established at the Slovak Ministry of Foreign Affairs.

Over the course of the year, NBS expressed comments on various drafts of the EU legislation, including: the Deposit Guarantee Schemes Directive; the Regulation on Credit Rating Agencies; the decision concerning specific activities in the field of financial services, financial reporting and auditing; and the decision concerning external auditors of NBS.

9.2 NBS COOPERATION WITH INTERNATIONAL INSTITUTIONS

INTERNATIONAL MONETARY FUND (IMF)

Several reforms of this Bretton Woods institution were undertaken during 2009. The issues at the forefront of discussions were IMF supervision, the adequacy of the IMF resources, reform of the lending framework, the question of a new mandate for the IMF, and reform of the IMF governance. These topics, along with the global financial crisis, dominated also the IMF/WB spring meeting in April 2009 and the IMF/WB annual meeting in October 2009, both of which were attended by the NBS Governor, Ivan Šramko, in his capacity as Slovakia's representative at the IMF. The same subjects were discussed at the regular gathering of the IMF and World Bank's Belgian constituency at the level of central bank governors, held in Budapest in June 2009. These issues received a further airing at European fora,

particularly at the European and Financial Committee (EFC) and its sub-committee on IMF and related issues (SCIMF) and at regular meetings of the group of EU representatives to the IMF (EURIMF).

Because of the worsening financial situation in certain IMF member countries, Slovakia's commitment to the Financial Transactions Plan (FTP) was increased in 2009. As at 31 December 2009, Slovakia's total contribution to the FTP represented SDR 67.8 million. In addition, Slovakia joined the international initiative to increase the IMF resources, committing itself to lend the IMF up to €440 million under a bilateral loan agreement. The approval process for this commitment began in 2009, and the bilateral agreement is due to be signed at the beginning of 2010.

In 2009, Slovakia was for the first time allocated Special Drawing Rights (SDRs), the international reserve asset established by the IMF in 1969. Under the general and special allocation of SDRs in August and September 2009, Slovakia received SDR 340.5 million. By supplementing the reserves of IMF member countries, the general allocation of SDRs served as one of the means of ensuring global liquidity.

From 2009, with the entry of Slovakia into the euro area, the consultations conducted under Article IV of the IMF Articles Agreement (Article IV consultations) were divided into two separate parts – consultations on the monetary and exchange rate policies of the euro area (this part is common to all euro area countries) and consultations on other economic policies conducted in Slovakia. In May 2009, the regular IMF mission in Slovakia was conducted in respect of the second part of the Article IV consultations, and it was followed up by a smaller working mission in November 2009. In July 2009, moreover, the IMF brought to a close the first part of its Article IV consultations in respect of euro area policies.

There were also changes within the Belgian constituency in 2009. In April of that year, in order to reduce the costs of the constituency in the IMF, Slovakia and the Czech Republic signed an agreement on sharing the joint position of a senior advisor to an IMF executive director, at rotating four-yearly intervals. As from 1 July 2009, this role has been carried out by Marek Jakoby, who



since 2006 has represented Slovakia at the IMF in the role of advisor to an executive director.

In 2009, Slovakia successfully continued its approval process for reforms pursuant to the IMF Resolution on Quota and Voice Reform and to the Resolution on the approval of an amendment to the IMF Agreement that broadens the Fund's investment authority. In April 2009, the Slovak Government approved an increase in Slovakia's quota in the IMF, raising it by SDR 70 million to SDR 427.5 million. Progress was also made in the approval process for amendments to the IMF Agreement, which are due to be ratified in the beginning of 2010. Even though the IMF quota and voice reform of 2008 has not yet entered into force, discussions are underway within the IMF regarding a further adjustment of member quotas within the 14th General Review of Quotas, which is due to be completed at the beginning of 2011.

Slovakia's participation in multi-year IMF initiatives continued in 2009. The annual activities include, for example, updating of the Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER) and informing the IMF about the foreign exchange restrictions that Slovakia applies in order to ensure national and international security and to protect the financial system against financial terrorism.

THE WORLD BANK (WB)

As a shareholder of the World Bank, Slovakia participated in the process of reforming the management of the World Bank and its voting structure. Under Resolution No. 596 of 30 January 2009 – "Enhancing the voice and participation of developing and transition countries" in the World Bank Group – the Articles of Agreement of the International Bank for Reconstruction and Development (IBRD) are to be amended so as to increase Slovakia's overall voting rights in the World Bank, from the current 0.21% to 0.22%.

In 2009, Slovakia's contribution to the International Development Association (IDA) amounted to €680,000 and its contribution to the Multilateral Debt Relief Initiative (MDRI) represented €30,000. The donations were based on a commitment given as part of Slovakia's participation in the 15th replenishment of IDA funds and in the financing of the MDRI. Also in 2009, Slova-

kia came through with its contribution under the 10th replenishment of IDA funds, by making a payment of €55,128.

The position of the Alternate Governor of Slovakia at the World Bank Group was held by Viliam Ostrožlík, Deputy Governor of NBS.

BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

On 29 June 2009, NBS Governor Ivan Šramko attended the 79th Annual General Meeting of the BIS, held in Basel. In addition, NBS representatives took part in regular bimonthly meetings of BIS member central banks, which addressed the monitoring of global economic and financial developments and issues of monetary and financial stability, financial market supervision, and central bank governance.

Also in 2009, NBS participated in activities of the BIS Central Bank Governance Group.

ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

In 2009, NBS representatives contributed to the activities of relevant OECD committees and working groups, which predominantly addressed issues related to the financial and economic crisis. Given the conditions of significant uncertainty and rapidly deteriorating economic indicators, there was a need for more frequent evaluation of the economic situation and for the production of forecasts additional to those regularly scheduled. Consequently, for example, the Economic Policy Committee (EPC) held an extraordinary meeting in the first half of 2009, at which Národná banka Slovenska was represented by Ľudovít Ódor, a member of the NBS Bank Board.

NBS representatives attended meetings of several other OECD committees and working groups during 2009, including the April spring meeting of the Financial Markets Committee, at which the dominant issues were again the financial and economic crisis and assessing the OECD strategic response to the crisis. At meetings of the Working Party on Private Pensions, regulators exchanged experiences of addressing the adverse effects of the global financial crisis on pension funds.

At a press conference held in Bratislava on 9 February 2009, the OECD's Secretary-General, Angel Gurría, presented the OECD Economic Survey of



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Slovakia, completed in December 2008 by the Economic and Development Review Committee (EDRC). Mr Gurría also had a meeting with NBS Governor Ivan Šramko at the NBS headquarters.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

On 15 and 16 May 2009, the EBRD Board of Governors held its Annual Meeting at EBRD headquarters in London, with Národná banka Slovenska represented by NBS Deputy Governor Martin Barto. The meeting was held against the backdrop of the financial and economic crisis, and it was this subject that dominated the governors' talks and panel discussions. At the meeting, the governors approved the 2008 financial statements, the allocation of net income to the Bank's strategic reserves, and the strategic document *Fighting the Crisis, Promoting Recovery and Deepening Transition*.

9.3 NBS'S INTERNATIONAL ACTIVITIES IN THE FIELD OF SUPERVISION

In connection with Národná banka Slovenska's commitments to the European Central Bank, to bodies and committees of the European Union and to international organisations, staff of the Financial Market Supervision Unit regularly attend meetings of the respective committees and working groups. In addition, the Supervision Unit is heavily involved in cooperation with foreign supervisory and regulatory authorities, especially in relation to the exercise of supervision over banking and insurance groups.

The Banking Supervision Committee (BSC) of the European System of Central Banks (ESCB) has the following tasks: to monitor and evaluate developments in the European financial sector in terms of financial stability; to analyse regulatory requirements for financial system stability; to strengthen cooperation and the sharing of information between central banks and Member States' supervisory authorities; and to cooperate in the drafting of ECB opinions on European Commission proposals. During 2009, the information shared between the committee's members mainly concerned how the financial crisis was affecting their respective countries and the measures being taken by governments to support the financial system. The committee's analy-

ses (produced at the subgroup level), as well as its discussions, were focused on the vulnerability of the EU financial system and on the system's resilience to various shocks. They also addressed the tasks and role of the BSC within the new supervision architecture for the EU financial market, especially in relation to the proposed European Systemic Risk Board (ESRB).

Národná banka Slovenska is involved in the work of the so-called Lamfalussy Level 3 Committees, a group of committees established by the European Commission, which include: the Committee of European Banking Supervisors (CEBS), the Committee of European Securities Regulators (CESR), and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS).

The principal tasks of the CEBS include giving advice to the European Commission, implementing European Union directives, and enhancing cooperation and the sharing of information between banking supervisors. It focuses mainly on capital requirements rules for financial institutions, the purpose being to ensure that financial institutions have a closer link between their capital and the risks they are exposed to. Working groups and expert groups are established under the CEBS, and they produce specialist documents on specific topics which are submitted to the committee for approval. There is also the Groupe de Contact (GdC), an expert group of the CEBS which focuses on the harmonisation of supervisory procedures and the sharing of information.

The task of the CESR is to improve coordination among securities regulators across the European Union, to act as an advisory group to assist the European Commission, and to work to ensure more consistent and timely implementation of European Union legislation in Member States. The CESR's plenary meetings take key decisions on the regulation and supervision of this area, and they approve guidelines and other important documents concerning the activities of the committee and of financial institutions operating in the markets of its members. Most of the specialist materials submitted to the CESR's plenary meetings for approval are prepared by permanent working and expert groups established under the CESR.



The principal tasks of the CEIOPS include: providing advice on implementation measures for framework directives (Level 2 activities of the Lamfalussy process); issuing standards, recommendations and guidelines to ensure the uniform interpretation of regulations and guidelines; and facilitating cooperation and the sharing of information between supervisors. At present, the priority task of the CEIOPS is the Solvency II project. The aim of the project is to introduce a new harmonised, risk-oriented regime of supervision and capital requirements for insurance companies and reinsurance companies operating in EU Member States, and to re-codify the 13 existing directives that regulate the activities of insurance companies and reinsurance companies. Working groups and expert groups are established under the CEIOPS, and they produce specialist documents on specific topics which are submitted to the committee for approval.

In 2009, all three of the Level 3 Committees paid particular attention to key questions concerning the establishment of a European System of Financial Supervisors, which include a European Securities and Markets Authority (ESMA), a European Banking Authority (EBA) and a European Insurance and Occupational Pensions Authority (EIOPA), in accordance with the recommendations of the European Council of 19 June 2009 regarding a new European supervisory architecture for the financial sector.

The process of establishing colleges of supervisors in accordance with EU legislation continued during 2009. The supervision of cross-border banking groups in the EU is exercised at the consolidated level by the “home supervisor”. Národná banka Slovenska, operating at the consolidated level as the “host supervisor”, is a member of colleges of supervisors where the supervisors are designated for banking groups that include enti-

ties falling under NBS’s supervision in the Slovak Republic. Within the framework of the colleges, and in accordance with CEBS requirements, multilateral agreements on cooperation between the supervisory authorities were signed before the end of 2009, and meetings were held with the supervisors of banking groups that have banks operating in the territory of the Slovak Republic.

Národná banka Slovenska is also a member of globally operating international organisations that bring together supervisory authorities in different sectors of the financial market: the International Organization of Securities Commissions (IOSCO), where it is signatory to a Multilateral Cooperation Agreement; the International Association of Insurance Supervisors (IAIS); and the International Organisation of Pension Supervisors (IOPS).

9.4 FOREIGN TECHNICAL ASSISTANCE

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In 2009, Národná banka Slovenska provided technical assistance to the National Bank of Ukraine in the form of expert seminars held in Bratislava and Kiev, as part of bilateral cooperation between the two central banks. In the first half of May 2009, the first of these training events, entitled *Organization of cash circulation in Slovakia with CIT-companies involved*, was held at NBS under the professional supervision of the Currency Circulation Management Department. In the second half of May, NBS experts from the Statistics Department lectured at a seminar in Kiev on the subject of *Statistics management in a central bank*. In June 2009, NBS hosted an expert seminar for staff of the National Bank of Ukraine’s Supervision Department, at which members of NBS Supervision Department gave a presentation entitled *Problem banks supervision strategy*.