



As regards their involvement in international research projects in 2017, NBS researchers continued to participate in three Eurosystem/ESCB research networks.

The Household Finance and Consumption Network (HFCN) conducts the Eurosystem's Household Finance and Consumption Survey (HFCS). In 2017 Slovak households were surveyed for the third wave of the HFCS, and NBS researchers checked and prepared the data obtained. They also conducted research based on data from the second wave of the survey.

In the Wage Dynamics Network (WDN) — a network examining wage dynamics and their responsiveness to external shocks — the activities of NBS members in 2017 focused on the completion of research tasks based on data from a recent Europe-wide firm-level survey. The key WDN findings were presented at an international conference in Frankfurt on 11 December 2017.

The Competitiveness Research Network (CompNet), originally founded by the ESCB, is a hub for research and policy analysis on competitiveness and productivity and enables cooperation with non-ESCB partners. In 2017 CompNet became an independent network supported by the ECB, the European Bank for Reconstruction and Development, the European Commission, the European Investment Bank, the Halle Institute for Economic Research and the Tübingen Institute. NBS activities in CompNet focused mainly on preparing data for the network's firm-level-based database. Cooperation with the academic sphere created

conditions for preparing two educational events and one research conference. NBS researchers also attended the CompNet annual conference in Brussels (29-30 June 2017) and a CompNet training course in Amsterdam in July and provided Slovakia's data for the network's database.

In the course of 2017 the ESCB launched three research clusters, the purpose of which is to coordinate research efforts of EU national central banks in three high-priority research fields.²⁴

In 2017 NBS researchers also engaged in international research cooperation outside of the ESCB research networks and clusters. They presented their research finding at several domestic and foreign conferences hosted by academic and supranational institutions.

The bank's research cooperation with the external environment continued to be enriched in 2017 by its doctoral study and research support programme and by its visiting researcher programme. NBS supported one external researcher and one doctoral student. The student research is contributing to a better understanding of the benefits and drawbacks of the single European currency.

For professionals in Slovakia, NBS hosted or co-hosted more than 50 seminars in 2017. At 14 of these events, experts from abroad were invited to present the results of their projects. Also in 2017, NBS researchers specialising in economic modelling prepared and taught a one-term course for undergraduates and professionals on dynamic stochastic general equilibrium (DSGE) models.

7 EUROPEAN AFFAIRS AND INTERNATIONAL COOPERATION

7.1 EUROPEAN AFFAIRS

EUROPEAN UNION (EU)

The EU events that were most important for Národná banka Slovenska in 2017 were the April and September informal meetings of the ECOFIN Council. The April meeting in Valletta (Malta) was attended by the NBS Governor, Jozef Makúch,

and the Executive Director of the NBS Financial Market Supervision Unit, Vladimír Dvořáček. The discussions addressed, among other things, issues related to non-performing loans.

The September meeting in Tallinn (Estonia) was attended by Governor Makúch and by NBS Bank Board member Karol Mrva (Executive Director of

²⁴ 1) Monetary economics, and transmission of conventional and unconventional monetary policy measures; 2) International macroeconomics, fiscal policy, labour markets, competitiveness, and EMU governance; 3) Financial stability, macroprudential regulation and microprudential supervision.



the Risk Management, Settlement and Payment Services Division). Discussion focused on deepening Economic and Monetary Union and, in regard to the Capital Markets Union, on the impact of technological innovation and financial regulation.

7.2 COOPERATION WITH INTERNATIONAL INSTITUTIONS

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

In 2017 NBS was again represented at the Spring and Annual Meetings of the IMF and WBG. Held in Washington DC, these were the year's most significant events of the Bretton Woods institutions. 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). Among the issues under discussion were the strengthening of the international monetary system and the economic impact of technological progress and offshoring.

At the Annual Meetings in October, the IMF's Board of Governors, including NBS representatives, discussed the autumn editions of the WEO and GFSR, as well as, among other things, the IMF's Annual Report and its financial statements. Delegates addressed the current situation in regard to the 15th General Review of Quotas. A notable milestone for the IMF in 2017 was the signing of bilateral agreements under the 2016 Borrowing Agreement. Slovakia signed the Agreement in September 2017 as one of 40 countries participating in it. The total commitments pledged under the Agreement amount to around SDR 312 billion.

At the end January, IMF staff members visited Národná banka Slovenska as part of the bilateral discussions that the IMF holds with Slovakia under Article IV of the IMF's Articles of Agreement. Their discussions at NBS focused on macroeconomic issues and the outlook for Slovakia, on the country's balance of payments situation, and the state of the Slovak financial sector. In their final staff report, the IMF staff team described the Slovak banking sector as stable and adequately capitalised. They also pointed out the measures taken by NBS to reduce risks in the financial system. At the end of October, the IMF staff team conducted

an informal follow-up visit at NBS, during which they updated the January 2017 data.

As at 31 December 2017 Slovakia's reserve position with the IMF remained unchanged at SDR 153.3 million (15.3% of quota).

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

An OECD 'policy mission' to Slovakia took place at the beginning of February 2017. The OECD staff team was received by NBS Governor Jozef Makúch, NBS Deputy Governor Ján Tóth and other NBS representatives. During their meeting, the NBS side presented the latest macroeconomic indicators for Slovakia and information about the financial market situation. This information was used in the preparation of the *2017 OECD Economic Survey of the Slovak Republic*, which the OECD Secretary-General, Angel Gurría, presented in person in Bratislava in July. The periodical Economic Survey analyses the current economic situation, and the 2017 edition focused on two policy sectors: tertiary education and health care. NBS representatives regularly participate 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 and in meetings of the National Contact Point established at the Slovak Economy Ministry for the OECD Guidelines on Multinational Enterprises.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

The 26th Annual Meeting of the EBRD's Board of Governors was held in May 2017, with the participation of the NBS Governor, Jozef Makúch, and the Director of the NBS Governor's Office, Vladimír Martvoň. The gathering took place under the following central theme: *Targeting Green and Inclusive Growth: Meeting Regional and Global Challenges*.

BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

The BIS held its 87th Annual General Meeting in June 2017, with the main point of the agenda being to approve the BIS's Annual Report and financial results for the period 2016–2017. NBS was represented at the event by Governor Jozef Makúch and by Bank Board member Karol Mrva (Executive Director of the Risk Management, Settlement and Payment Services Division). Among



the matters discussed by the attending central bank governors and officials were cyclical fluctuations, interest rates, the global financial system, and current regulatory issues.

The 16th BIS Annual Conference was held in June under the title “Low for long or turning point?”, with its focus on low interest rates in a global context. The event was attended by NBS Deputy Governor Ján Tóth.

The NBS Governor represents NBS at the BIS’s bi-monthly All Governors’ Meeting for central bank governors. The meetings in 2017 addressed a number of current issues, including the macro-economic repercussions of global value chains, central bank accountability, ‘Big Data’, and research priorities in central banking.

7.3 INTERNATIONAL ACTIVITIES IN THE FIELD OF SUPERVISION

EUROPEAN SYSTEMIC RISK BOARD (ESRB)

The ESRB General Board held four meetings in 2017. The General Board’s members include the NBS Governor and the Executive Director of the NBS Financial Market Supervision Unit. Besides their regular focus on developments in systemic risk factors and intensity, the meetings covered various other areas, such as stress tests conducted by EIOPA and the EBA (with the adverse scenarios being provided to both institutions). The General Board also considered the financial stability and procyclicality implications of the implementation of International Financial Reporting Standard 9 (IFRS 9) as well as assessment of trends and risks arising from the commercial real estate market. Macroprudential structural buffers also came under discussion.

At its December meeting, the General Board adopted a Recommendation on liquidity and leverage risks in investment funds in response to the issue of liquidity risk in investment funds. This risk relates primarily to the maturity mismatch between assets and liabilities and to the use leverage.

The ESRB issued several publications in 2017, including the second *EU Shadow Banking Mo-*

nitor, an annual report that assesses structural changes and risks stemming from the shadow banking sector, as well as a report describing the macroprudential framework in EU Member States and the use of different macroprudential policy instruments.

EUROPEAN BANKING AUTHORITY (EBA)

As a member of the EBA, Národná banka Slovenska helps ensure the performance of tasks resulting from decisions of the EBA Board of Supervisors. The NBS Financial Market Supervision (FMS) Unit participates in the work of EBA committees and working groups. In 2017 it submitted comments on documents concerning the regulation and functioning of the financial market in regard to banking, consumer protection, and anti-money laundering. (The AML texts were Guidelines on anti-money laundering and countering the financing of terrorism, published by the Joint Committee of the three European Supervisory Authorities, and the Joint Committee’s Opinion on the risks of money laundering and terrorist financing.)

In 2017 NBS’s ongoing cooperation with the EBA focused on the drafting of implementing technical standards (ITSs) and regulatory technical standards (RTSs) required under the EU’s Capital Requirements Regulation and Directive (CRR/CRD IV) and related legal acts. The implementing and regulatory technical standards are aimed at meeting new requirements for an enhanced system of supervision over banks and investment firms, as well as at implementing certain specific CRR/CRD IV articles.

NBS cooperated with the EBA at all levels of competence, from working groups to the highest approval bodies.

EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY (EIOPA)

In 2017 NBS continued to perform tasks related to its participation in EIOPA’s highest decision-making bodies: the Board of Supervisors and the Management Board. It was involved in EIOPA discussions, commented on draft texts, submitted proposals and opinions, and sought to establish a synergy between smaller member countries in the areas that are most important to them. NBS is represented on these EIOPA bodies by the Executive Director of the NBS Regulation and Financial Consumer Protection Division.



EIOPA underwent significant changes during 2017. These included a change in its organisational structure as well as a shift in its overall focus, away from regulation and towards supervision and the harmonisation of supervision across EU countries. During 2017 EIOPA continued work on the drafting of supervision handbooks and devoted more attention to the consistency and conduct of supervision across countries, so as to support, as far as possible, supervisory convergence.

In February 2017, EIOPA staff members conducted an on-site visit to NBS in order to examine NBS's organisation of insurance sector supervision and the Supervisory Review Process. A priority of the visit was to obtain information about the Slovak insurance market and the principal risks it faces. The visit also included discussion of NBS's approach to on-site inspections and off-site supervision, to risks, and to the setting of supervisory priorities and the evaluation of the effectiveness of supervisory practices using particular examples. The result of the visit was a final report that incorporated EIOPA recommendations. As part of its assessment of NBS, EIOPA advised the bank to concentrate on evaluating the business model followed by insurers and on reviewing whether insurers' solvency ratios were adequate for the Slovak market.

As regards the pension sector, staff members of the FMS Unit oversaw the stress testing of supplementary pension management companies (SPMCs) in Slovakia in 2017 as part of EIOPA's second EU-wide stress test exercise of Institutions for Occupational Retirement Provision (IORPS). The results for the resilience of SPMCs to market shocks and in particular to the risks of the low interest rate environment and increasing longevity were positive; they were subsequently presented to the market.

EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA)

In 2017 ESMA continued to implement its 2016–2020 *Strategic Orientation* document, the main purpose of which is to support supervisory convergence within the EU. It also focused on issues and activities related to the entry into application from 3 January 2018 of the EU's second Markets in Financial Instruments Directive (MiFID II) and Markets in Financial Instruments Regulation (MiFIR).

In the previous year, 2016, ESMA's activities in relation to the MiFID II/MiFIR package centred on the drafting of delegated and implementing

legal acts; in 2017, however, its focus gradually shifted to issues surrounding the practical application and interpretation of the package, and in particular to the drafting of guidelines and Q&A documents. At the same time, it addressed information system issues related to the package.

In 2017, in addition to performing its core activities, ESMA began to pay close attention to new issues arising from the United Kingdom's referendum decision to leave the EU. In this regard, it focused on analysing the implications of 'Brexit' and preparations for the future setting of relations with the UK in regard to securities market supervision.

In 2017 a working group comprising representatives of ESMA and national supervisory authorities visited NBS as part of ESMA's Peer Review on the *Guidelines on certain aspects of the compliance function under MiFID*. In their meeting with NBS representatives, the working group focused not only on the subject matter of the Guidelines, but also on NBS's general approach to granting authorisations to investment firms and to supervising and sanctioning them. The NBS staff members presented the theoretical bases on which NBS conducts capital market supervision, with particular focus on investment firms and several case studies in this area. The working group gave a positive evaluation to the meeting as well as to NBS's overall approach to investment firm supervision, including its authorisation, supervision and sanction procedures. The working group identified three good practices that NBS employed in investment firm supervision, and these were incorporated into ESMA's list of general good practices for the whole EU. The final report on the Peer Review was published on the ESMA website on 29 November 2017.

7.4 TECHNICAL COOPERATION

NBS's long-running technical cooperation programmes with the central banks of Belarus and Ukraine continued in 2017. NBS organised two seminars for representatives of the National Bank of the Republic of Belarus (NBRB), one on financial consumer protection and another on the use of information technology in the area of human resources. The NBRB, for its part, hosted a seminar in Minsk on accounting. NBS also organised two seminars for representatives of the National



Bank of Ukraine (NBU), one on budgeting and another on information technologies used by NBS. Furthermore, staff members of the NBS Statistics Department took part in a seminar hosted by the

NBU in Kiev. In 2017 NBS also provided the Central Bank of Montenegro with foreign technical assistance in the form of financial management training.

8 COMMUNICATION

An important task of Národná banka Slovenska (NBS) is to provide information about developments in the Slovak and European economies and about the activities of financial market participants. The bank's communication with professionals and the general public in Slovakia is also conducted within the framework of the Eurosystem. This activity involves addressing target groups such as economists, institutions of research and education, specialists, and the media, and providing regular, trustworthy, transparent and timely information on foreign exchange operations and reserves, payment systems, monetary policy decisions, European supervision, the banking sector, the issuance of euro banknotes and coins, and current economic trends.

The most prominent subjects of NBS communications to the media in 2017 were the amendment to the Consumer Lending Act and related NBS decrees, the increasing levels of indebtedness, Prima banka's acquisition of Sberbank, consumer protection, and the introduction of the new €50 banknote into circulation. There was also strong media interest at the NBS press conference announcing that the life insurance company Rapid Life had been placed into receivership.

The bank may be contacted by e-mail at the addresses provided on its website. In 2017 it received 3,608 e-mails, including requests for information, suggestions, and complaints (about the conduct of banks and insurers). A total of 2,911 e-mails were received at the addresses dedicated to communication with the public: info@nbs.sk and webmaster@nbs.sk. Another 95 were requests for information under the Freedom of Information Act (No 211/2000 Coll.), received at infozakon@nbs.sk. The rest, 602, were received at the address for media enquiries, press@nbs.sk. The bank also fielded enquiries by telephone and from people who came to its headquarters in person.

PUBLICATIONS

Through its official publications in Slovak and English, the bank provides information and analysis from its main fields of activity. In 2017 these publications included the Annual Report, Financial Stability Report (biannual), Analysis of the Slovak Financial Sector (once a year), Monthly Bulletin, Report on the International Economy (quarterly), Report on the Slovak Economy (quarterly), Medium-Term Forecast (quarterly), and Statistical Bulletin (quarterly).²⁵ The bank also published 13 research papers²⁶, 12 Analytical Commentaries, and 144 Flash Commentaries. In support of the multilingual communication principles of the Eurosystem/European System of Central Banks (ESCB), NBS participates in the drafting of Slovak language versions of ECB official publications, which in 2017 included the ECB Annual Report, the ECB Annual Report on supervisory activities, and four editions of the ECB Economic Bulletin.²⁷ All of these publications are available on the NBS website in PDF and ePUB formats, and also include QR codes to further improve their accessibility.

The bank's information materials are one of its key communication tools, and in 2017 they included several types of printed promotional materials relating to collector coins and the new €50 banknote. The periodical banking journal *Biatic*²⁸ has been a major part of the bank's publishing activities since 1993. It comes out six times a year both in a print version and electronically on the NBS website. Most articles are in Slovak, but some may be in English or Czech.

WEBSITE

The NBS website continued to be developed in 2017 in order to make it more navigable and to improve its functionality. The Statistics section was restructured, and English versions of the Financial Consumer Protection pages were added.

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

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

²⁷ <http://www.nbs.sk/sk/publikacie/publikacie-ecb>

²⁸ <http://www.nbs.sk/sk/publikacie/biatic-odborny-bankovy-casopis>