



NÁRODNÁ BANKA SLOVENSKA  
EUROSYSTEM

The National Bank  
of Slovakia...

... its tasks and activities

## ... its tasks and activities

### 3 Foreword

The National Bank of Slovakia (NBS) is...

- 5 ... a modern independent institution
- 11 ... an integral part of the Eurosystem

The tasks of the NBS include...

- 17 ... participating in the common monetary policy;
- 21 ... supervising the functioning of the financial market;
- 25 ... ensuring financial consumer protection;
- 27 ... issuing euro banknotes and coins and overseeing cash circulation;
- 31 ... operating payment systems and ensuring the flow of payments;
- 35 ... collecting and publishing statistical data;
- 39 ... conducting economic research;
- 41 ... drafting legislation;
- 43 ... representing Slovakia in international institutions.

Services that the NBS provides...

- 47 ... to the public





# Foreword



NÁRODNÁ BANKA SLOVENSKA  
EUROSYSTEM



During its relatively short history, the National Bank of Slovakia (NBS) has earned a respected reputation both in Slovakia and internationally. In a rapidly changing environment, the NBS has succeeded in keeping the Slovak economy on a stable footing.

Since its establishment in 1993, the NBS has undergone several substantial changes. After joining the EU, a key milestone in its history was Slovakia's entry into the euro area, with the NBS both initiating and playing the lead role in the introduction of the euro in Slovakia. Today the NBS stands as a full member of the Eurosystem, and as such participates in the setting of monetary policy for the entire euro area.

The main task of the NBS is to maintain price stability.

The NBS supervises all participants in the Slovak financial market and, acting together with the European Central Bank (ECB) within the single supervisory regime for banks, it contributes to the stability of the financial sector throughout the euro area. In addition, the NBS has recently assumed responsibility for the protection of financial consumers.

The aim of this publication is to provide information about how the roles and activities of the NBS help to further the development of the Slovak economy and the living standards of Slovak citizens.

July 2015

Jozef Makúch  
Governor





The National Bank  
of Slovakia is...

... a modern independent  
institution



The National Bank of Slovakia (NBS) came into being on 1 January 1993, as a result of the split of the Czech and Slovak Federative Republic into separate independent countries.

**i** The central bank's activities, organisation and relations with other public and private institutions are regulated by Act No 566/1992 Coll. on the National Bank of Slovakia, as amended.

When Slovakia acceded to the European Union in May 2004, the NBS joined the European System of Central Banks (ESCB). With the country's entry into the euro area on 1 January 2009 – the euro adoption date – the NBS became a member of the Eurosystem, which sets the monetary policy of the euro area. Since 1 September 2014, the NBS has been a part of the single supervisory regime for European banks.

As the central bank of Slovakia, the NBS's main task is to ensure price stability, in order to support high employment as well as sustainable and non-inflationary economic growth.



Price stability does not mean that prices of all goods must remain always at the same level. What matters is that the general price level of goods and services purchased by the ordinary consumer does not fluctuate significantly. For the purposes of conducting monetary policy, it is important that the annual rate of change in the average price level is below, but close to, 2%. Its development is tracked mainly in the medium-term horizon, where short-term fluctuations of more than 2% may be in line with price stability.

The NBS operates as the bank of all banks in Slovakia. It issues euro banknotes and coins and ensures cash circulation; it operates payment systems and supports financial stability by exercising supervision over the financial market. Unlike commercial banks, the NBS is not primarily concerned with making a profit.



Can an individual open an account with the NBS?

No. The NBS does not provide banking services to natural persons. Current accounts and savings accounts can only be held with commercial banks. The services that the central bank provides to individuals are limited and usually free of charge. For example, it will exchange damaged banknotes or provide support to consumers under the financial consumer protection regime.

As an independent legal entity, the NBS performs its tasks independently from instructions of central government bodies, regional authorities, and other public authorities. Independence is one of the core principles of all EU national central banks (NCBs). In their operational, institutional, staffing and financial aspects, the ECB and NCBs must be independent. The independence of NCBs is required under the Treaty on the Functioning of the European Union and under the Statute of the European System of Central Banks and of the ECB.



Why is it important for a central bank to be independent?

The main rationale for central bank independence is that the power to spend money should be separated from the power to create money. A government may be tempted to reduce interest rates in order to cut government debt, but such a move would fuel inflation over the longer term. Thus central bank independence is regarded as essential to ensuring price stability.



The NBS is a legal person and with regard to legal relations involving rights of ownership, the position of the NBS is the same as that of a private business. The budget of the NBS is separate from the state budget, and the annual profit or loss of the NBS is not included in the general government budget.

The central bank's profit or loss is determined mainly by its monetary policy operations (such as the issuance of currency and lending activities) and its investment activities. Other sources of income include the fees paid by entities that are subject to NBS supervision and the central bank's claims on the ECB. On the other side of the balance sheet, operating expenses include wage costs and other operating costs. From the profits, allotments are made to the reserve fund and other funds.





The National Bank of Slovakia is governed by the NBS Bank Board, which lays down in particular the procedural principles to be followed by the NBS and its organisational units when implementing the common European monetary policy and the principles of financial market supervision. The number of Bank Board members is limited by statute to six, including the governor and two deputy governors. The governor and deputy governors are appointed by the Slovak president at the proposal of the government and subject to the approval of the parliament. Other Bank Board members are appointed, and may be dismissed, by the government at the proposal of the NBS governor. The tenure of each Bank Board member is six years.

**i** Looking at the staffing structure of the NBS, the most populous age group is 31–40. Given the nature of the central bank's activities, the vast majority of employees are graduates with an economics background. The NBS also has a number of employees with post-graduate qualifications.

The NBS is based in Bratislava and has a further five sub-branches in Slovakia – in Banská Bystrica, Košice, Nové Zámky, Poprad and Žilina (they play a key role in ensuring currency circulation).



**i** Construction work on the NBS headquarters began in November 1996. The building was ceremonially opened on 23 May 2002 and started to be used from that date. Standing at a height of 111 metres, the building was the highest in Slovakia at that time. It has 33 floors above ground, and a further three floors and one mezzanine floor below ground. The building has capacity for 1,005 employees.

The central motif of the NBS logo shows a man on a cantering horse and a falcon perched on his right hand. Below the horse is a linden twig. The rider with bird of prey symbolises power and independence, as well as stability and flexibility of action; it also connotes the qualities of glory, seriousness, courage and determination. The logo was largely inspired by the design on a Biatec-type Celtic coin that was the oldest minted coin found in the territory of what is now Slovakia. The falcon refers also to one of the main means of subsistence employed by Slavs in the past. The logo also includes the bank's name in Slovak "Národná banka Slovenska" and below that, since introduction of the euro, the name "EUROSYSTEM".





The National Bank  
of Slovakia is...



NÁRODNÁ BANKA SLOVENSKA  
EUROSYSTEM

... an integral part  
of the Eurosystem



The National Bank of Slovakia is an integral part of the Eurosystem. As the monetary authority of the euro area, the Eurosystem maintains price stability within the area and at the same time seeks to protect financial stability and to further financial integration in Europe. It comprises the European Central Bank (ECB) and the national central banks of the EU Member States that have adopted the euro.



Is the Eurosystem different from the European System of Central Banks (ESCB)?

The ESCB comprises the ECB and the national central banks of all EU Member States, including those that have not yet adopted the euro, be it due to their special status or because they have a derogation. The non-euro area Member States retain their own national currency, for which they still conduct their own monetary policy. Once all EU Member States have introduced the single currency, the rationale for the Eurosystem will cease to exist and its role will be assumed by the ESCB.

The Eurosystem is responsible for defining and implementing the monetary policy of the euro area. Monetary policy is implemented mainly by financial market operations. The Eurosystem adjusts conditions in the money market by maintaining full control of the monetary base. Through foreign-exchange operations, the Eurosystem influences the euro's exchange rate and liquidity conditions. For the purposes of foreign exchange operations, the Eurosystem manages foreign reserves



through the national central banks. In order to ensure the efficient implementation of monetary policy and to support financial and economic stability in the euro area, the Eurosystem is tasked with promoting the smooth operation of payment systems. The Eurosystem concept is based on the lengthy experience and current capacities of the national central banks. It takes account of relations between the banking communities in the individual countries and their NCBs. As a decentralised system, the Eurosystem respects the variety of nations, languages and cultures in the euro area better than a single central bank would.



What therefore is the relationship between the Eurosystem and the NBS?

The Eurosystem as a whole has a predominantly decision-making role. It takes decisions on monetary policy, foreign exchange interventions, the management of foreign reserves, the amount of currency in circulation, and international cooperation. The NBS conducts market operations in Slovakia and participates in foreign-exchange interventions and the management of foreign reserves. The central bank also ensures the printing and minting of a proportion of euro banknotes and euro coins, and it is active in international organisations.

The Eurosystem is governed by the decision-making bodies of the European Central Bank. Within their respective responsibilities, these bodies take all the decisions that are necessary to enable the Eurosystem to carry out its tasks. For the bulk of the Eurosystem's activities, the actual intra-system division of labour has been guided by

the principle of decentralisation, meaning that the Eurosystem's tasks (except for the statutory tasks that have been exclusively assigned to the ECB) are delegated to the national central banks. In order to ensure that all tasks are carried out properly and consistently, the ECB has the power to issue guidelines and instructions to the NCBs.



The ECB has three main decision-making bodies. The highest decision-making body of the Eurosystem is the Governing Council. It comprises the six members of the ECB Executive Board and the governors of all the NCBs of the euro area countries. The members of the Governing Council do not act as representatives of their countries, but as independent persons, and take decisions for the benefit of the euro area as a whole. The Governing Council decides on monetary policy and adopts key decisions in other areas of the ECB's activities. Another decision-making body is the Executive Board, which is responsible for preparing Governing Council meetings, implementing monetary policy for the euro area, managing the day-to-day business of the ECB, and exercising certain powers delegated to it. The third decision-making body is the General Council, which comprises the President of the ECB, Vice-President of the ECB and the governors of the NCBs of all EU countries, including those that have not adopted the euro. It is therefore the decision-making body at the ESCB level and has a predominantly advisory and supportive role.

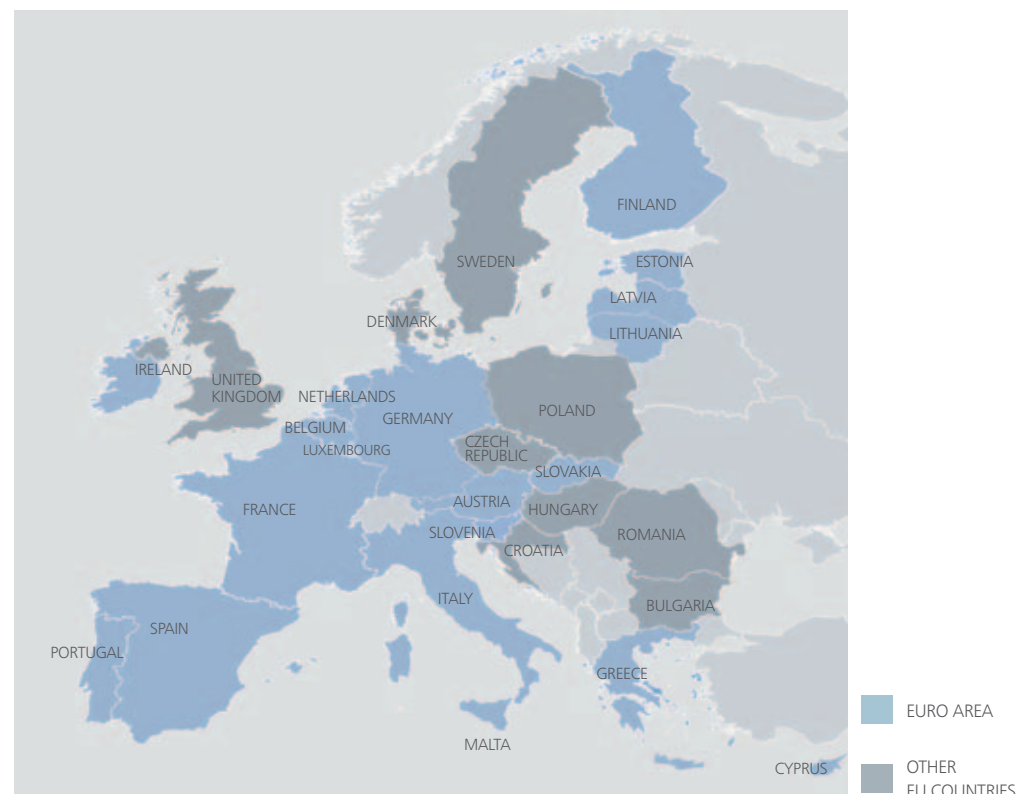
The European Central Bank is an institution of the European Union. In contrast to the national central banks, the ECB carries out only a few operations. Rather, it focuses on formulating policies and on ensuring that the decisions of the ECB Governing Council are implemented consistently by the NCBs.

The ECB's Governing Council is responsible primarily for formulating Eurosystem policies, taking decisions on monetary policy operations, adopting legal acts, and authorising the issuance of banknotes. It is also responsible for conducting interventions on the foreign exchange markets, the operation of payment systems and the oversight of payment and other financial market infrastructures.

The ECB's decisions are taken with assistance from Eurosystem committees. The committees cover all the principal areas relating to the Eurosystem's roles. The committees consist of experts from the Eurosystem national central banks. Where appropriate, however, non-euro area NCBs also participate in their meetings. However, the national central banks of the EU Member States which have not yet adopted the euro take part in the meetings of a Committee whenever appropriate.



## MEMBER COUNTRIES OF THE EU AND THE EURO AREA



What influence does the NBS have on Eurosystem decisions?

The NBS does not simply implement ECB decisions: the NBS governor is a member of the Governing Council, the highest decision-making body of the ECB. The NBS is also involved in key euro area issues through the participation of its representatives in the various Eurosystem committees.

The NBS, like most of the other Eurosystem NCBs, performs non-Eurosystem functions on its own responsibility. These functions vary according to countries and consist mainly of various types of financial and administrative services to the governments of the respective countries. The NBS's most important non-Eurosystem function is to supervise the domestic financial market.

## EUROPEAN SYSTEM OF CENTRAL BANKS

**European Central Bank** and central banks of countries that have adopted the euro

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- Nationale Bank van België/  
Banque Nationale de Belgique
- Deutsche Bundesbank
- Eesti Pank
- Banc Ceannais na hÉireann/  
Central Bank of Ireland
- Bank of Greece
- Banco de España
- Banque de France
- Banca d'Italia
- Central Bank of Cyprus
- Latvijas Banka
- Lietuvos bankas
- Banque centrale du Luxembourg
- Bank Ċentrali ta' Malta/  
Central Bank of Malta
- De Nederlandsche Bank
- Oesterreichische Nationalbank
- Banco de Portugal
- Banka Slovenije
- Národná banka Slovenska
- Suomen Pankki – Finlands Bank

Central banks of EU countries that have not adopted the euro

- Българска народна банка  
(Bulgarian National Bank)
- Česká národní banka
- Danmarks Nationalbank
- Hrvatska narodna banka
- Magyar Nemzeti Bank
- Narodowy Bank Polski
- Banca Națională a României
- Sveriges riksbank
- Bank of England





# The National Bank of Slovakia...

## ... participates in the common monetary policy

In accordance with the Treaty establishing the European Union, the primary objective of the single monetary policy is to maintain price stability. Price stability contributes to the enhancement of the economic environment and supports job creation and sustainable non-inflationary growth.



What is meant by the functioning of monetary policy?

The NBS represents the Eurosystem in the territory of Slovakia, and as such is the monopoly provider of the country's monetary base, i.e. currency in circulation and bank reserves. The central bank can therefore influence the conditions under which commercial banks can borrow money from the ECB. This consequently affects the conditions of inter-bank trading on the money market and the conditions (particularly interest rates) under which commercial banks lend to firms and households. Adjustments to lending conditions change the borrowing behaviour of firms and households and they determine developments in prices and in the amount of goods and services produced.

The ECB's monetary policy is based on two pillars that help to achieve the core objective of maintaining price stability, which is quantitatively defined as annual HICP inflation of below, but close to, 2% in the medium-term horizon. The two pillars of monetary policy are the monetary analysis and economic analysis. For the purpose of maintaining price stability, the ECB monitors both developments in the M3 monetary aggregate (i.e. deposits and currency in circulation), and the macroeconomic outlook and its effect on inflation.

Success in maintaining price stability is closely related to expectations. To ensure the appropriate development of expectations, it is crucial that the central banks communicate with the external environment. The statements of the ECB President and Governing Council members shape expectations about prospects for the economic and monetary conditions and can have a direct impact on the euro's exchange rate and on market interest rates. Expectations about future development are also reflected in wage bargaining and in how firms set the prices of their goods and services.



The press conferences held after every meeting of the Governing Council have a key function, since it is here that the ECB President explains the reasoning behind the decision on interest rates.



As regards the conduct of monetary policy, it is important to have a view on both the current and future economic and monetary situation. The NBS, as a regular member of the Eurosystem, contributes to the common projection process within the ECB, which produces four sets of projections per year.



What is the role of the NBS in the projection process?

In June and December, all the Eurosystem national central banks participate in the preparation of common projections for macroeconomic developments in the euro area as part of the Eurosystem Staff Macroeconomic Projections for the Euro Area. The projections that the ECB publishes in March and September (the ECB Staff Macroeconomic Projections for the Euro Area) are prepared by ECB staff alone. They do not include the NBS Medium-Term Forecasts for the Slovak economy published in these months.

The projections for macroeconomic developments include forecasts for the main macroeconomic indicators, in particular inflation and the growth of real GDP and its components over a period of two years. The ECB publishes estimates for the euro area as a whole. The NBS prepares and publishes estimates for the Slovak economy. The projection outcomes are presented to the Governing Council and constitute one of its key reference materials when setting the ECB's monetary policy.

All monetary-policy decisions in the Eurosystem are taken by the ECB Governing Council. The NBS governor, as a member of the Governing Council, participates in the formulation of monetary policy.



Since the adoption of the euro by Lithuania in 2015, the voting system in the Governing Council has been governed by the so-called rotation principle. The governors of the euro area NCBs are allocated to groups based on the size of their countries' economies and financial sectors. The NCB governors of the five largest countries (Germany, France, Italy, Spain and the Netherlands) have four voting rights in total, and the other governors (14 in 2015) have eleven voting rights in total. On a monthly rotation basis, the governors in each group take turns to hold voting rights.

The Governing Council's most important decisions are those on the level of interest rates. The Governing Council may decide to change the key ECB rates or to leave them at the same level, and its decisions are then published.



The most important interest rate is the rate on main refinancing operations, changes to which affect short-term market rates and eventually the decisions of firms and households. The other key interest rates set by the Governing Council are the rate on the marginal lending facility and the rate on the deposit facility. These interest rates affect mainly the level of overnight interest rates.

Several instruments are used to carry out monetary policy decisions, in particular liquidity-providing and liquidity-absorbing operations through which the central bank provides liquidity to, or withdraws surplus liquidity from, the market. The operations are carried out through the national central banks on the basis of tender procedures. For operations conducted in Slovakia, the NBS acts as the counterparty for entities established in the country.

The Eurosystem's array of monetary policy instruments also includes required minimum reserves, meaning the minimum amount of reserves that a credit institution is required to hold with a national central bank. The minimum reserve system contributes to the stabilisation of money market rates and influences liquidity conditions.





## ... supervises the functioning of the financial market

The most extensive of the central bank's activities is supervision of the financial market, which includes supervision of the banking sector, capital market, insurance sector, pension sector, and financial intermediation and financial advisory services. The aim of financial market supervision is to contribute not only to the stability of the financial market as a whole, but also to the security and sound functioning of the financial market. In order to ensure the smooth functioning of the financial market, it is important to maintain the market's credibility, to protect customers and to observe the rules of economic competition.



### What does supervision entail?

As part of its supervision of financial market participants, the NBS carries out a number of essential activities. The NBS sets prudential business rules, operational security rules, and other requirements for the business activities of supervised entities. At the same time, the NBS supervises such entities and oversees their compliance with these rules, which are laid down in laws and other generally binding legal regulations, including legally binding acts of the European Union. In performing its supervisory role, the central bank manages proceedings, grants authorisations, licences, approvals and prior approvals, imposes sanctions and remedial measures, and issues other decisions, opinions, methodological guidelines and recommendations.

The NBS also exercises supervision over the provision of financial services in the private pension sector. In Slovakia there are two types of private pension providers: pension funds management companies (PFMCs), managing funds in Pillar II of the pension system, and supplementary pension management companies (SPMCs), managing funds in Pillar III.



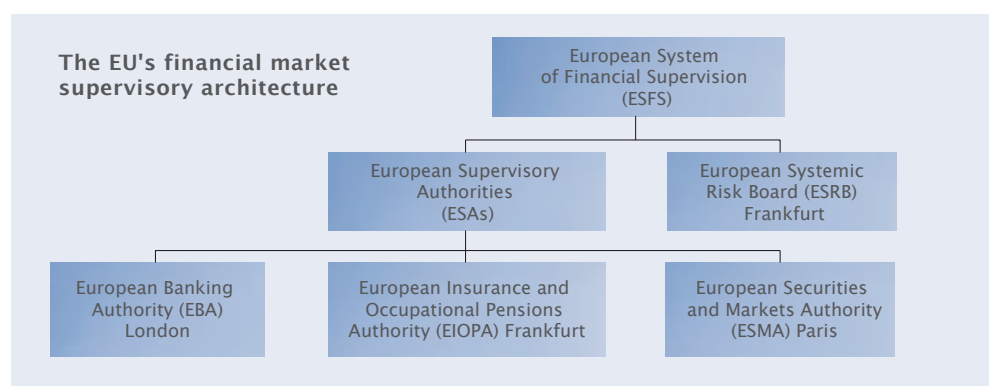
### Who supervises Pillar I of the pension system?

The pay-as-you-go component (Pillar I) of the pension system is managed by the Social Insurance Agency, which is supervised by the Ministry of Labour, Social Affairs and Family of the Slovak Republic.

Increasing international cooperation in financial markets requires the respective supervisory authorities to work more closely together. Thus through the European System of Financial Supervision (ESFS), the activities of the NBS as supervisor of the domestic financial market are closely coordinated with those of other supervisory authorities in the EU. This system links the supervision of individual financial institutions and the supervision of the financial sector as a whole. In regard to the supervision of financial institutions, the ESFS brings together national supervisory authorities and



the newly-founded European Supervisory Authorities for the banking sector, insurance sector, pension insurance, and securities markets. For supervision at the level of the European financial system, the European Systemic Risk Board was established, with its Board members drawn from the European Central Bank, European Commission, national central banks and national supervisory authorities, the Economic and Financial Committee, the Advisory Technical Committee, the Advisory Scientific Committee, and the above-mentioned European Supervisory Authorities. Consequently, the NBS not only exercises supervision over the domestic financial sector, but is involved in the work of the European System of Financial Supervision at both levels.



### ? What is the role of the ECB and ESCB in financial market supervision?

The European System of Central Banks monitors and assesses financial stability at the euro area/EU level. This activity complements the corresponding activity at the national level by national central banks and supervisory authorities in EU Member States. Through the ECB, the ESCB also gives advice on the setting of regulatory and supervisory requirements for financial institutions. The ECB promotes cooperation between central banks and supervisory authorities.

It is in supervision of the banking sector that the greatest degree of integration has taken place. In late 2014 the single supervisory regime came into operation, its purpose being to ensure the effective supervision of banks across the EU and the consistent implementation in banks of a single rulebook for financial services. Essentially the single supervisory regime involves the division of competences in the area of banking supervision between the ECB and the competent supervisory authorities of participating Member States. The supervisory authority in Slovakia is the National Bank of Slovakia.

### ? What are the main changes brought by the new system?

The most important change was when the ECB assumed the task of prudential supervision over significant credit institutions in participating Member States. The national supervisory authorities continued to be the competent authorities for supervision of less significant institutions.

The single supervisory regime works on the basis of continual cooperation between the ECB and the national supervisory authorities. The NBS participates in particular supervisory tasks of the ECB through its involvement of NBS staff in Joint Supervisory Teams and in the drafting of ECB decisions. As regards the supervision of significant banks in Slovakia, the NBS acts as part of the respective Joint Supervisory Team, exercising supervision over the banks' activities on a daily basis, as well as performing continuous monitoring of quantitative data and surveillance of risk management. Where necessary, the ECB assigns NBS staff to carry out on-site inspections of significant banks.

### ? Which banks in Slovakia are subject to supervision by the ECB?

The banks directly supervised by the ECB comprise all banks considered significant in the context of their position in the domestic market (the three largest banks established in Slovakia) or their total assets (exceeding €30 billion). As of the establishment of the single supervisory regime, the following banks in Slovakia came under the ECB's direct supervision: Tatra banka, a.s., Slovenská sporiteľňa, a.s., Všeobecná úverová banka, a.s., Československá obchodná banka, a.s., ČSOB stavebná sporiteľňa, a.s., and Sberbank Slovensko, a.s. The first three in that list qualified by being the largest banks in Slovakia, while the other three banks were deemed significant owing to the total assets of their consolidated group.

### ? For which banks does the NBS remain the competent supervisory authority?

The NBS continues to be the competent supervisory authority for all banks in Slovakia classified as less significant. For all banks, whether significant or less significant, the NBS is the competent supervisory authority for their activities in the areas of investment services, payment services, anti-money laundering, and consumer protection.

In order to improve regulation and coordination in the resolution of failing banks and financial institutions in the European Union, a Single Resolution Mechanism (SRM) was established. It consists of a Single Resolution Board and the national resolution authorities of euro area countries. In Slovakia, the national resolution authority is the Resolution Council. The task of providing expertise to, and organising the functioning of, the Council is performed by the NBS.

### i The single supervisory regime and Single Resolution Mechanism constitute, respectfully, the first and second pillars of the euro area's banking union.



# The National Bank of Slovakia...

## ... ensures financial consumer protection

As of 2015, as part of its role as the financial supervisory authority in Slovakia, the NBS assumed responsibility for the protection of financial consumers, a task previously entrusted to the Slovak Trade Inspectorate. Consequently, the NBS now oversees whether supervised entities are compliant with consumer protection legislation, in particular the Consumer Protection Act, the Distance Marketing of Financial Services Act, the Consumer Credit Act, and the Civil Code's provision on consumer contracts.

**i** Financial consumers are customers who use services in the areas of banking, insurance, the securities market, payment systems, and pension schemes. Consumer rights apply only to the use of services by individuals for their personal benefit or for the benefit of their relatives; they do not apply to activities carried out for business or occupational purposes.

The NBS supervises all entities that it has registered or issued with an authorisation. Its supervision in the area of consumer protection extends to foreign institutions operating in Slovakia under the 'single passport' regime established by EU Directives, notwithstanding that such institutions are supervised by the competent authority in their home country. A list of all the supervised entities in Slovakia is provided on the NBS's website.

**?** How the NBS protects financial consumers?  
The NBS oversees whether the financial market entities it supervises comply with consumer protection rules, such as those prohibiting unfair sales practices or for false or misleading advertising. The NBS also checks whether the terms and conditions of consumer contracts are acceptable and not obviously to the detriment of consumers. If it finds a breach of these rules, the NBS will ban the entity in question from further using such unfair practices or unacceptable contractual terms and impose a sanction. By supervising the financial market in this way, the NBS is acting to prevent malpractices.

**i** The NBS cannot take decisions concerning the compensation of financial consumers for injury suffered or disputes arising from contracts between consumers and supervised entities.

In addition to checking supervised entities for their compliance with consumer rules and imposing sanctions in cases where the rules are breached, the NBS also handles allegations and complaints made by financial consumers and other customers against supervised entities. Consumers who are not satisfied with the financial services they have received, or who claim their rights have been violated, can require the NBS to examine whether supervised entity acted lawfully. The form for lodging such an allegation or complaint is provided on the NBS's website and may be sent by post or e-mail.





## The National Bank of Slovakia...

... issues euro banknotes  
and coins and oversees  
their circulation



The National Bank of Slovakia manages cash circulation in Slovakia, arranges the printing of banknotes and minting of coins, oversees the stocks of currency, monitors the protection and security of currency, replaces banknotes and coins that are no longer fit for circulation, supervises the safekeeping and destruction of printing presses and minting dies, and ensures the destruction of banknotes and coins withdrawn from circulation.

Individual euro area countries do not undertake the printing of banknotes in all denominations. Each euro-area national central bank is required only to arrange the production of a proportion of euro banknotes of particular denominations, as specified by the ECB. Each bank meets the cost of producing the respective amount of banknotes.



Slovakia is one of the euro area countries that is able to mint euro coins on its own territory, at the state-owned mint Mincovňa Kremnica.





Euro banknotes contain several modern security features, making the euro one of the best protected currencies in the world. Nevertheless, counterfeits can appear in the currency in circulation. As the National Counterfeit Centre (NCC) in Slovakia, the NBS examines, verifies and stores counterfeit euro banknotes and coins and counterfeits of other foreign currencies seized in the territory of Slovakia. In this regard, the NBS works in close cooperation with the ECB and with the NCCs at other euro area central banks.

**i** Euro banknotes and coins contain security features that allow genuine currency to be distinguished from counterfeits without the need for special devices. The authenticity of a banknote can be simply checked by feeling it, looking at it and tilting it. Further information on how to distinguish genuine banknotes from counterfeits is available at the NBS website ([www.nbs.sk](http://www.nbs.sk)) and the ECB website ([www.ecb.europa.eu](http://www.ecb.europa.eu)).

Euro banknotes and coins issued by the NBS are legal tender throughout the euro area and in participating third countries. The NBS is also authorised to issue commemorative and collector euro coins. No other legal entity, or natural person, may issue banknotes or coins in Slovakia.



What is the difference between commemorative and collector euro coins?

Commemorative euro coins are only issued in the €2 denomination. Their national side bears a commemorative design that differs from the designs on the €2 coins put into circulation in euro area countries. Commemorative euro area coins are legal tender throughout the euro area and in participating third countries.

Collector euro coins are legal tender only in the country in which they are issued; they are not intended for circulation. The NBS issues several collector coins every year, usually as €10 or €20 silver coins and €100 gold coins.





# The National Bank of Slovakia...

... operates payment  
systems and ensure  
the flow of payments



The National Bank of Slovakia has an indispensable role in the functioning of payment systems and securities settlement systems. As well as being an operator of payment systems and a participant in them, the NBS contributes to the adoption and implementation of rules and standards for these systems. Functional payment systems are one of the prerequisites for effective monetary policy and they help to maintain financial stability.

On the same day that it entered the euro area (1 January 2009), Slovakia joined the interbank payment system known as TARGET2. Since 2 January 2009, the NBS has been operating its component of this system – TARGET2-SK.





TARGET stands for Trans-European Automated Real-time Gross settlement Express Transfer system). The number 2 at the end of the acronym indicates that it is the second generation of TARGET. The system is established and functions on the basis of a single technical platform, known as the Single Shared Platform (SSP), through which all payment orders are submitted and processed and through which payments are ultimately received in the same technical manner. TARGET2 is made up of several component RTGS systems, one of which is the Slovak TARGET2-SK.

Besides being responsible for the daily operation of TARGET2-SK, for providing the system's participants with advice and business support, and for periodical testing of the system, the NBS is involved in coordinating the development, modification, testing and implementation of software updates for the SSP that forms the technical basis of TARGET2.

The Slovak Interbank Payment System (SIPS) is a domestic retail payment system designed for the clearing and settlement of customer payments in euro (i.e. payments made by customers of commercial banks). The processing of payment transactions in the SIPS takes place in clearing cycles, and the resulting cash positions undergo final settlement in TARGET2-SK.



Is the SIPS also used for payments made by ordinary people?

The direct participants in the above-mentioned payment systems are usually only financial institutions. Payments made by individuals enter the system mainly via commercial banks. After an individual submits a payment order for a transfer of funds from his account with a commercial bank to an account at another commercial bank, the payment is firstly cleared

in the SIPS. The payment is not, however, paid directly to the other account. Only the final result of clearing is settled, and this settlement procedure is carried out twice a day. The banks' accounts maintained in TARGET2-SK reflect only the difference between incoming and outgoing payments, i.e. only the result of clearing is settled.

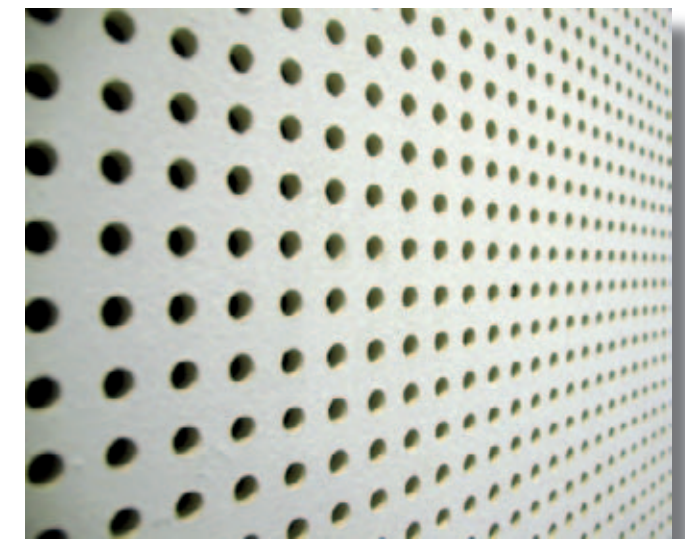


In order to take full advantage of the single currency and cashless euro payments, the NBS has implemented the rulebooks of the Single Euro Payments Area (SEPA). Under this project, individuals and firms can send and receive payments within or between any countries in the SEPA, under the same basic terms rights and obligations, regardless of their location within the area. This means that cross-border payments are executed as quickly, and under the same conditions, as domestic payments. The SEPA project includes payment schemes for the core payment instruments of credit transfers and direct debits, and it also defines a common framework for payment cards.

The settlement of cross-border securities transactions in euro was simplified in 2015. In order to ensure that such transactions are settled at the same level and under the same price conditions that apply to domestic settlements, TARGET2-Securities (T2S) was implemented. Another advantage of T2S is that it makes the settlement of securities transactions more efficient and secure.



## ... collects and publishes statistical data



The National Bank of Slovakia develops, collects, compiles and publishes various types of statistics, primarily to support the implementation of monetary policy and financial market supervision. The data collected are used not only by internal users and financial market participants, but also by the non-financial sector, general public and media. The compiled statistics are fully harmonised with requirements laid down by the ECB and by other international institutions. The data are therefore comparable with the statistics published by other countries that meet the same requirements.

The statistics provided by the NBS cover the following main areas according to the data collected: monetary and financial statistics; balance of payments statistics; quarterly financial accounts, and statistics on the insurance sector and pension funds.

Monetary and financial statistics include balance-sheet statistics of the NBS, banks, branches of foreign banks, and money market funds. They provide data on the financial and non-financial assets and liabilities of these financial institutions,



and a detailed breakdown by financial instrument, counterparty's economic sector, original maturity, and currency of denomination. Balance-sheet statistics of financial institutions include statistics of the NBS, aggregate statistics of the mentioned financial institutions, and consolidated balance-sheet statistics for the sector as a whole.

**i** To understand the effect that monetary policy has on economic developments, it is important to have information about how quickly and to what extent changes in the key ECB rates and in market interest rates are transmitted to the deposit rates and lending rates of financial institutions. That is why the NBS provides interest rate statistics. Unlike balance-sheet statistics, the interest-rate statistics statements through which the respective data are collected are submitted only by banking institutions.

Monetary and financial statistics include in addition to balance-sheet and interest-rate statistics, also long-term interest-rate statistics, statistics of other financial intermediaries, investment fund asset and liability statistics, and securities statistics.



The NBS also bears primary responsibility for the compilation and publication of the Quarterly Financial Accounts of the whole economy, not including the general government sector. These data provide detailed information about financial flows between particular agents in the national economy and between resident and non-resident agents. There are also data on the amount of financial assets, which provides an exhaustive overview of the financial wealth and indebtedness of financial institutions, households, firms, and the general government sector.

**i** The NBS does not process these data in order to monitor compliance with liabilities to pay tax or contributions. Its purpose is rather to better understand the mechanism by which central bank decisions on monetary policy are transmitted to the real economy. Knowing the amount and composition of financial assets owned by economic agents and the indebtedness of these agents is important to assessing the stability of the financial system in Slovakia.





# The National Bank of Slovakia...

## ... conducts economic research

For monetary policy decisions and decisions related to financial stability, it is essential to have a thorough understanding of relations in the economy. A rapidly changing environment necessitates continuous research into economic and financial relations and their interconnection with monetary policy. That is the purpose of the economic research conducted at the National Bank of Slovakia. The main focus is on the more demanding economic and financial issues that require mostly unconventional and more comprehensive solutions.



What research in the NBS engaged in?

The research carried out at the NBS is mostly of an applied nature; it provides supporting information for monetary policy decisions and contributions to professional debates on current economic issues. The aim of this research is to better understand the causes and conditions of particular economic and financial phenomena.

Since the euro adoption, NBS research activities have consisted mainly of in-depth analyses of economic developments in Slovakia as a member of the euro area. These analyses provide information about the country's competitiveness, convergence, and financial and fiscal situation as compared with other EU or euro area countries. The relatively stronger effect of the euro area on domestic economic developments is also taken into account in macroeconomic modelling.



The majority of research outputs are available on the NBS website, and the most interesting results and findings are published in specialist journals. The more extensive outputs are published as reviewed working papers. Analyses and findings made outside the scope of working papers are published as discussion papers or specialist analyses.

An important factor in ensuring high-quality research is cooperation with international research teams. NBS experts are members of several research-related groups. In cooperation with leading educational institutions, NBS organises conferences and seminars with international participation, at which the results of domestic and foreign research are presented.





# The National Bank of Slovakia...

## ... drafts legislation

By virtue of its position and scope of competences, the National Bank of Slovakia is authorised to issue implementing legislation on the basis of powers laid down by statute.

The NBS drafts and issues mainly decrees concerning currency, currency circulation, payment systems, foreign exchange relations, the banking sector, the capital market, the insurance sector, and the pension sector.

In addition, the NBS drafts legislative bills relating to the money market and submits them to the Slovak government. Together with the Slovak Ministry of Finance, the central bank also drafts, and submits to the government, legislative bills on matters concerning foreign exchange relations, payment systems and the provision of payment services, and the financial market (including the banking sector).



One example of an NBS regulation is Decree No 456/2001 Coll. laying down details of conditions for the production and use of reproductions of banknotes, commemorative banknotes, coins, commemorative coins, commercial coins and securities issued by the NBS, as well as objects imitating their design, including their electronic images, as amended by Decree No 607/2008 Coll. Another example is Decree No 14/2001 laying down the elements of an application for the registration of a branch of a foreign bank or a similar foreign financial institution that performs banking activities.

The NBS also provides expert opinions as part of the broader legislative process, thereby contributing to the drafting of laws and other generally binding legal regulations prepared and issued by competent authorities.

As regards the legislation related to the introduction of the euro, the NBS played a major role in drafting the General Act on the Euro and amendments to 28 different laws, including the Act on the National Bank of Slovakia. This laid the foundations for a smooth and efficient euro changeover.





## The National Bank of Slovakia...

## ... represents Slovakia in international institutions



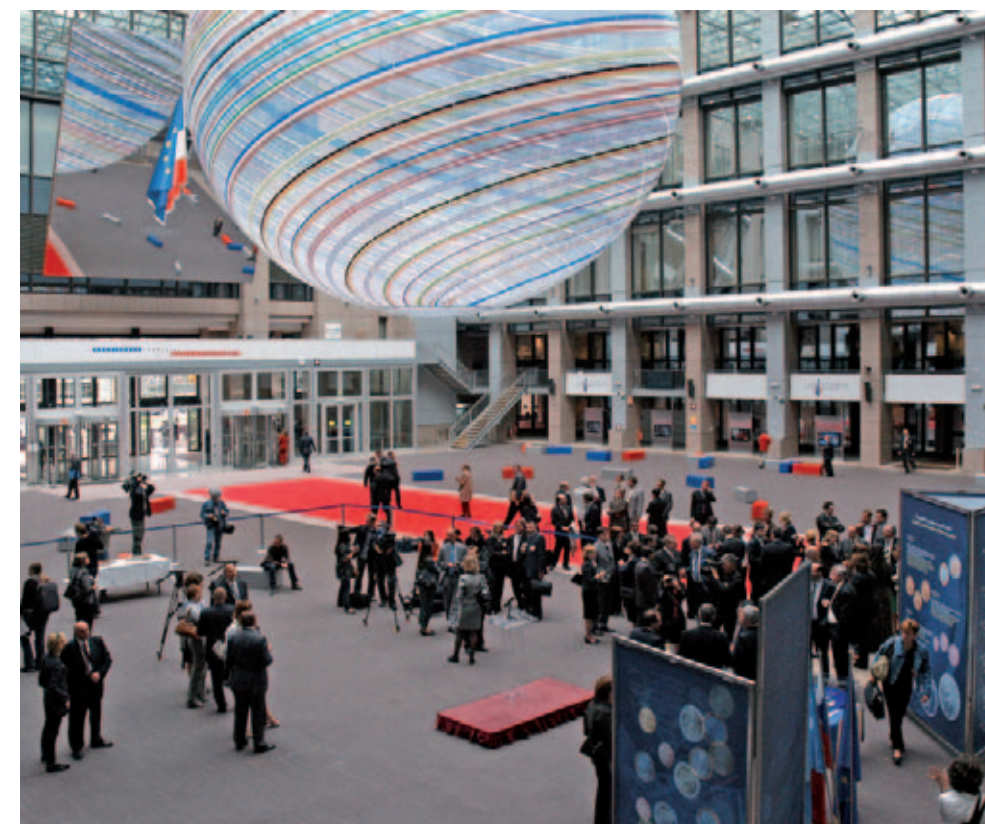
In today's globalised world, monetary policy and financial market supervision cannot be conducted without intensive international cooperation. The National Bank of Slovakia represents Slovakia in several international institutions and provides technical assistance to central banks and public institutions in other countries. NBS employees cooperate in the implementation of specialist tasks, not only within the Eurosystem/EU, but also outside the EU.

The NBS governor attends meetings of the ECB Governing Council and the ECB General Council, as a regular member of these bodies. In addition, the governor participates in the regular informal meeting of the ECOFIN Council. NBS staff members contribute to the activities of ESCB committees and their working groups, and NBS representatives also participate in the activities of selected committees and working groups of the European Council and European Commission. Furthermore, the NBS is represented on bodies of the European System of Financial Supervision (ESFS), and therefore contributes to their decisions and to the drafting of implementing and regulatory regulations, recommendations and guidelines. Through its representatives on the Supervisory Board, the NBS participates in decision-making process regarding the developments and functioning of the supervision of systemically important banks.





The NBS governor represents Slovakia at the International Monetary Fund (IMF), as a member of the Board of Governors, the IMF's highest decision-making body. The NBS carries out financial operations with the IMF and NBS staff members participate in consultations whose purpose is to assess the state of the Slovak economy and to submit recommendations for its further development. The NBS also receives regular OECD missions and provides its expert assistance in the production of the periodical Economic Survey of the Slovak Republic. In addition, the central bank cooperates with the European Bank for Reconstruction and Development (EBRD), with the NBS governor attending meetings of the EBRD Board of Governors. As for the Bank of International Settlements (BIS), the NBS is a shareholder of that institution and NBS experts participate in the work of its committees. The NBS governor regularly attends the BIS Annual General Meeting. Furthermore, the NBS is actively engaged in World Trade Organization discussions on the liberalisation of financial services.



The NBS provides foreign technical assistance. After Slovakia joined the euro area, the NBS joined the ESCB's technical assistance projects in EU candidate and potential EU candidate countries. The principal recipients the NBS's technical assistance are the National Bank of Ukraine and the National Bank of the Republic of Belarus.



What kind of technical assistance does the NBS provide?

Technical assistance mainly takes the form of exchanges of specialist knowledge and experience in the areas of monetary policy and financial market supervision. What is particularly valuable for the recipients is the experience gained from Slovakia's EU accession process, the inclusion of the NBS in the ESCB, the euro changeover in Slovakia, and the entry of the NBS into the Eurosystem. Within the scope of technical assistance, the NBS organises specialist seminars and consultations in Slovakia and abroad.



# Services that the NBS provides...

... to the public



The National Bank of Slovakia exchanges euro banknotes and coins in one or more denominations for euro banknotes and coins in other denominations. This service is provided to the public at the NBS headquarters and at NBS branches during opening hours.

**i** For services related to cash circulation, the NBS may charge a fee. If the euro currency to be exchanged includes more than 100 coins (in one or more denominations in the range from 5 cents to €2), the fee for the transaction is set at 1% of the value of the cash presented by the customer. One cent and two cent euro coins and euro banknotes are exchanged without charge.

The NBS also exchanges damaged and destroyed banknotes and coins providing that they meet specified criteria. When impaired, incomplete or otherwise damaged euro banknotes and coins are presented by customers, or sent by post, they will be exchanged with euro currency in the same denomination.

**i** Damaged euro coins will be exchanged only if they are still intact. Damaged euro banknotes will be exchanged if more than 50% of the note is still intact. For customers to exchange a note that is less than 50% intact, they must be able to prove that the missing part has been destroyed.



The NBS also exchanges the former Slovak koruna banknotes for euro for an indefinite period.



Does the NBS exchange other currencies for euro?

The central bank does not provide a foreign exchange service and does not exchange other currencies for euro. Such services are provided by commercial banks and exchange offices. Nor does the NBS exchange euro for the former currencies of the countries that have adopted the euro. These currencies are exchanged by the national central banks of the respective countries.

The NBS offers the public the services of its library by prior arrangement. The library's reading room may be used during the stipulated opening times.



Anyone wishing to use the library services must send a request by e-mail to:  
[centralna.kniznica@nbs.sk](mailto:centralna.kniznica@nbs.sk)



The NBS issues the specialist banking journal Biatec. The full text in Slovak is published on the NBS website ([www.nbs.sk](http://www.nbs.sk)), and print versions may be ordered by e-mail, at the address [biatec@nbs.sk](mailto:biatec@nbs.sk)



The NBS provides information to the public on request. Requests for information may be made by telephone, by post (to the address of the NBS headquarters), by using the electronic form published on the NBS website, by e-mail to the address [info@nbs.sk](mailto:info@nbs.sk), or in person at the post room in the NBS headquarters.

From January 2015, the NBS handles complaints made by financial consumers against financial services providers. Complaints may be made by telephone, by post (to the address of the NBS headquarters), by e-mail (to the address [spotrebitel@nbs.sk](mailto:spotrebitel@nbs.sk)) or in person. Information on financial consumer protection services can be found on the NBS website, at the page "Ochrana finančného spotrebitel'a" (Financial Consumer Protection).





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