Slovak financial sector from the view of financial stability

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Developments in the Slovak financial sector during 2014 and in early 2015 were accompanied by a moderate recovery in macroeconomic indicators both in Slovakia and abroad. The key factor in many of the trends observed was the environment of low interest rates. Their impact on the banking sector was evident particularly in the continued strong growth of retail loans and the closely related increase in household indebtedness. The banking sector's total profit in 2014 was unchanged year-on-year, as the fall in interest margins was offset by the increase in lending. Although the rising trend in the aggregate capital ratio came to a halt, banks' current level of solvency is considered sufficiently high. In the insurance sector, the continued fall in returns on assets covering technical provisions put some pressure on the overall financial position. A notable trend in the second pillar of the pension system was the increase in exposure to equity risk. (p. 3)

Transposition and implementation of the CRR/CRD IV and national discretions

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The Capital Requirements Regulation and Directive (CRR/CRD IV) have brought about fundamental changes to the previously existing system, structure and content of banking regulation. EU Member States therefore had to ensure the utmost consistency in transposing and implementing the CRR/CRD IV package into national law (the CRR does not require transposition, being directly applicable in its entirety, while the CRD IV had to be implemented into national legislation). One of the greatest challenges that national authorities such as Národná banka Slovenska faced in relation to the transposition/implementation concerned the issue of national discretions. These have assumed great significance as a means in which a given country can take into account the particular situation in its financial market. (p. 7)

Analysis of tax measures to support the capital market

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The Slovak government recently presented its proposals for supporting the capital market through adjustments to capital gains tax. Two new types of tax relief will be introduced: short-term time test with duration one year and long-term investment saving product saving over a horizon of 15 years. The proposal represents a step forward in the current situation, though its future effects remain open to speculation. The main problem appears to be its general application to any securities admitted to trading on a regulated market. Not all such securities are designed to direct financing of the real economy through the investment saving product market, which is the main objective of the government's Capital Market Development Strategy. (p. 9)

Cyber risk insurance

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The development of the information society has not only made life easier, but also entailed new types of threat. Cyber risks are such an example, concerning mainly those companies – including financial institutions – that handle large volumes of data and have to process this data as part of their business. Standard insurance products typically do not cover cyber risks, except sometimes as part of listed exemptions. This has created a gap in the market, which is now being filled by a new line of insurance business – cyber risk insurance. As this insurance line gains in importance, it will give rise to new and cheaper products, while lawmakers will come under pressure to impose limits on its scope. Cyber risk is becoming increasingly important since the effects of a cyber attack can be much more serious than those of a single terrorist attack on hardware (where damage is confined to immovable property). (p. 11)

New obligations of consumer credit providers in force from 1 April 2015

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A range of new obligations that creditors are required to meet in order to obtain an authorisation to conduct business, as well as when conducting business, have been in force since 1 April 2014 under an amendment to Act No 129/2010 Coll. on consumer credits and other credits and loans. This article briefly outlines these obligations with the aim of providing a guide to the new legislative changes. (p. 15)

A brief excursion into consumer credits

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The way that consumer credits are offered and provided may, given the nature of the product, have a significant and long-term effect on the lives of financial consumers. Ordinary consumers usually rely on empirical experience when buying simple products and services, whereas they find consumer credits and other financial services more difficult to understand owing to the complex and abstract legal and economic elements involved. The recent period has seen substantial changes both in the direct regulation of consumer credit contracts and in legislation strengthening the position of supervisory authorities. (p. 17)

Methodology of financial consumer protection

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The latest amendment to Act No 747/2004 Coll. on financial market supervision expanded the supervisory responsibilities of Národná banka Slovenska (NBS) to include financial consumer protection. For the purposes of financial consumer protection, as part of financial market supervision, the competent authority may apply standard supervisory instruments as well as new tools introduced specifically for this area. The standard tools include the authority to issue opinions, methodological guidelines and recommendations. This methodological work is aimed at supporting supervised entities in their activities and at informing the general public about NBS's position on products and services offered in the financial market. These legal tools also set criteria that are subject to supervision. This article looks at specific methodological guidelines and opinions to explain the aims of NBS in its methodological activities. (p. 19)

Irrevocable payment commitments: a new form of servicing banks' obligations towards EU sovereigns?

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Building on a previous work (Országhová – Mišková, 2015), this article focuses on the specific topic of irrevocable payment commitments, introduced as an alternative to cash payments to both the resolution fund and the deposit guarantee fund. This novel instrument in the EU regulatory framework could help achieve the future target level of ex ante funding, while limiting the impact of the new measures on the lending capacity of credit institutions in the post-crisis period. Besides describing the main characteristics of irrevocable payment commitments, the article discusses the rationale behind their introduction and their incorporation into the framework of annual financial contributions. Furthermore, it compares the EU-wide framework to similar approaches applied in particular EU Member States. (p. 21)

Selected legal aspects of unauthorised business in the financial market

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When performing its tasks, especially in the area of financial market supervision, Národná banka Slovenska (NBS) has encountered many cases where consumers were offered financial services by entities, or even individuals, that were not authorised to provide such services. This infringes the basic principles of financial market functioning, according to which providers may offer financial services only if they meet regulatory criteria and are duly licensed by NBS. No less important is the obligation of NBS to examine and inspect these cases as part of its supervisory tasks and to impose sanctions where necessary. This article offers a view on how to address this issue and on its consequences. Unauthorised business in the financial market may entail not only administrative penalties, but also criminal sanctions where it falls within the remit of the criminal law. (p. 26)