

# Institutional Development





# 11 Institutional Development

A high-quality and operationally efficient internal process management system is a basic precondition for the top-level performance of tasks arising under the Národná banka Slovenska Act. The principal conditions for this include an optimal organizational structure, a high-level of management processes, and the professional management of human resources.

## 11.1 Organization and management

In accordance with the declared bases for the institutional development of the Národná banka Slovenska, two important organizational changes were made during the course of 2006.

Effective from 1 January 2006, the Financial Market Authority (FMA) was incorporated into the Národná banka Slovenska, thereby establishing the NBS as the sole institution responsible for licensing and supervisory processes and activities across the domestic financial market.

An organizational change that brought the transformation process of the branch management system to an end was approved by the NBS Bank Board with effect from 1 July 2006. As a result, the branches in Bratislava, Banská Bystrica and Košice were cancelled and subsequently transformed into internally unstructured sub-branches. Activities in the areas of foreign exchange supervision, economic administration, personnel and wages, which had been carried out by the branches, were assigned to organizational units at the NBS headquarters.

During 2006, in accordance with the NBS need to prepare for entry into the euro area and the related increase in demands on the quality and effectiveness of internal processes and activities, and in line with its officially declared aim to be a modern European central bank, an audit of management processes and activities was conducted at the NBS. The audit was carried out on the basis of a contract concluded between the Národná banka Slovenska and Deloitte Advisory s.r.o., the winner of a public tender.

The main aim of the audit was to assess the effectiveness of the organizational management, as well as

the efficiency of the harmonization of management processes and the optimization of organizational and capacity requirements. In the follow-up to the audit's conclusions, a new version of the NBS Organizational Rules was approved on 20 December 2006 to take effect from 1 February 2007, the result being a new organizational structure of the Národná banka Slovenska. Under this organizational change, the management level of chief executive directors was abolished and the number of departments was reduced, related to which was an improvement in NBS management performance and unification of supervision over the domestic financial market.

### Bank Board of the Národná banka Slovenska

The Bank Board is highest governing body of the Národná banka Slovenska. The scope of its powers is laid down by the NBS Act, separate laws, other generally binding regulations, and the NBS Organizational Rules.

The NBS Bank Board underwent a number of personnel changes during the course of 2006. In January, the following were newly appointed to the NBS Bank Board: Doc. Ing. Jozef Makúch, PhD., Ing. Slavomír Šťastný, PhD., MBA and Mgr. Ľudovít Ódor. Two members of the Bank Board came to the end of their term of office in 2006: NBS Deputy Governor Ing. Elena Kohútiková, CSc., on 27 March, and RNDr. Karol Mrva, executive director of the Banking Transactions and Foreign Exchange Division, on 30 November; the membership of Mr Mrva was renewed on 10 January 2007. Also in 2006, Doc. JUDr. Ladislav Balko, PhD. stepped down from the NBS Bank Board.

## 11.2 Human resources

### 11.2.1 Personnel provision

As at 31 December 2006, the NBS had 1,221 established positions, representing an increase of 0.4% year-on-year, and its number of registered employees at that date came to 1,174, also up by 0.4%.

The NBS took on 74 staff during the course of 2006. Where the internal selection procedure proved unsu-



NBS organizational structure as at 31 December 2006





### NBS Bank Board<sup>22</sup>

*Front row (left to right):* Milena Koreňová – Chief Executive Director, Financial Management and Payments System Division  
Ivan Šramko – Governor  
Martin Barto – Deputy Governor

*Back row (left to right):* Ľudovít Ódor – Member of the NBS Bank Board  
Slavomír Šťastný – Member of the NBS Bank Board  
Jozef Makúch – Member of the NBS Bank Board  
Peter Ševčovič – Chief Executive Director, Monetary Division  
Karol Mrva – Chief Executive Director, Trade and Foreign Exchange Division

Successful, new employees were recruited through an external selection procedure announced in accordance with internal regulations.

Altogether during the year, 167 staff ceased to be employed by the NBS. Of these 79 employees (the largest group) were made redundant in consequence of organizational changes.

In the context of cooperation between national central banks of the ESCB and the ECB in the field of human resources, the seconding of banking experts from these central banks has been taking place for several years. In 2006 two members of the NBS staff took up positions at the ECB after passing the selection procedure.

### 11.2.2 Personnel developments

Personnel developments in 2006 may be seen in the staff structure.

The number of employees aged 30 or below increased by almost 15%, and the number aged 31 to 40 remained stable. By contrast, employees aged 41 to 60 fell in number as a result of increased staff movements related to the comprehensive organizational changes made during the year.

The change in the age structure of staff was also reflected in the structure of staff by years worked at the NBS. The number of people employed at the NBS for less than 5 years increased by more than 8% in comparison with 2005, whereas a sharp decline was recorded in the number employed for between 21 and 30 years (by 34.3%) and over 30 years (by 17%).

The decline in the number of people employed at the NBS for between 5 and 10 years (by 27%) was also linked to the relatively high number who voluntarily ceased their employment with the NBS in 2006.

A positive aspect of personnel developments in the NBS is the trend rise in the number of graduate em-

<sup>22</sup> As at 30 November 2006.

Chart 89 NBS staff structure in 2006 by age

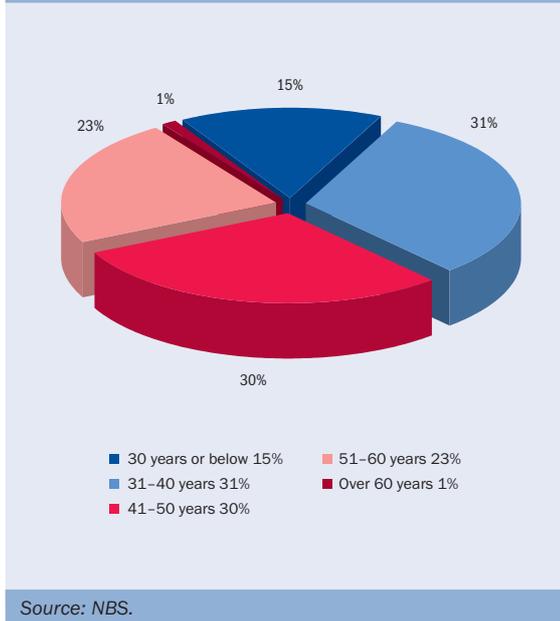
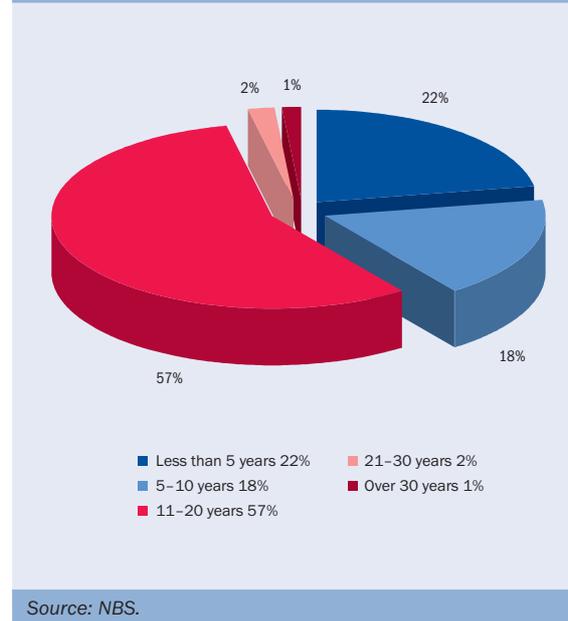


Chart 90 NBS staff structure in 2006 by years worked at the NBS



employees. They accounted for 55% of the total staff in 2006, representing an increase of almost 9% in comparison with 2005.

As a result of the organizational changes made in 2006, the number of management employees fell by 4.5% year-on-year.

The trend seen in 2004 and 2005 towards an equal balance of male and female employees continued in 2006.

### 11.2.3 Employee remuneration

The NBS applies an internal system of remuneration in accordance with the Labour Code. Its principles and procedures are regulated by NBS internal regulation No. 20/2002 on the remuneration of NBS employees, as amended.

The average wage at the bank was SKK 40,275 with an index of 104.5 in comparison with 2005. Statutory premium contributions for 2006 amounted to SKK 174,147,000.

### 11.2.4 Social expenses

Social expenses in 2006 included severance payments (and compensatory provision) related to organizational changes which amounted to SKK 63,602,000. Payments made on the completion of employment contracts (including compensation) and on retirement came to SKK 5,060,000.

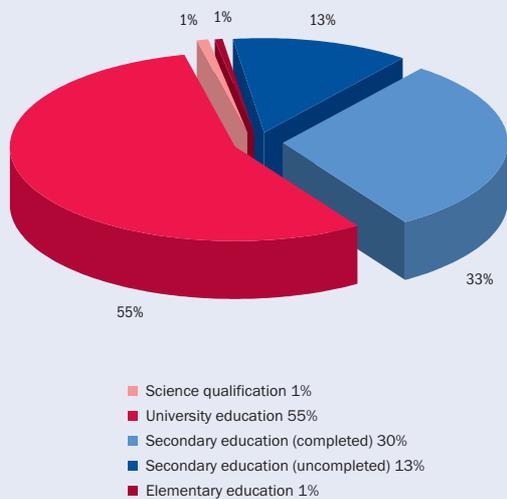
Under the implementation of social policy during 2006, the NBS paid on behalf of employees SKK 10,281,000 in contributions to supplementary pension insurance and additional pension insurance schemes.

## 11.3 Training and education

By joining the European Union and adopting the Lisbon Strategy, Slovakia has set out on the road towards a competitive knowledge-based society and economy. In accordance with that strategy, the NBS is treating training and education as one of the most important aspects of the professional and personal development of its employees, and thus of improving the quality of their work. The NBS training and educational activities are organized by the Institute of Banking Education (IBE), and are provided not only for NBS staff, but also for employees in the banking sector and other financial institutions. The IBE has in place a quality management system that complies with ISO 9001:2000 and it is certified in accordance with this international standard.

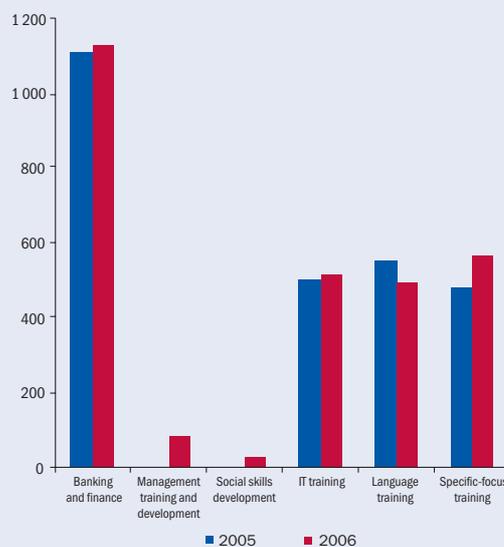
Training and education are conducted predominantly in a classroom form and to a lesser extent through distance learning. One of the most interesting distance learning projects is the Preparatory Course for the European Foundation Certificate in Banking (EFCB); the IBE has been running this course since 2005 as the only educational provider in Slovakia which is accredited by the European Bank Training Network (EBTN). The IBE is thus authorized to hold the exams and to award the EFCB, a certificate recognized throughout Europe.

**Chart 91 NBS staff structure in 2006 by educational attainment**



Source: NBS.

**Chart 92 Training and education of NBS staff (number of participants)**



Source: NBS.

### 11.3.1 Training and education of NBS employees

A total of 2,803 NBS employees attended 576 training and educational events in 2006. In comparison with 2005, the number of participants increased, while the number of teaching hours declined owing to the focus on less time-demanding training events. The ratio of training and education-related expenses to wage costs rose slightly year-on-year, to 3.42%. Altogether, NBS staff spent 2.7% of their total usable working time in training and education.

The main focus of the training and education of NBS staff in 2006 was on technical issues of professional training in banking and finance. Other important areas included specific-focus training, language training, and IT training. The participation of NBS staff in each category of training for 2006 and 2005 is shown in the Chart 92.

In the banking and finance category, the training and education were centred on issues directly related to the performance of tasks emerging from the NBS membership in the European System of Central Banks (ESCB), from the planned entry into the Eurosystem and introduction of the euro in Slovakia, as well as on strengthening of the European dimension of the NBS activities. The NBS has for a long time been utilizing professional specialized training and educational events provided free-of-charge within a framework of foreign technical cooperation by institutions such as the IMF, the BIS Financial Stability Institute in Basel, and the national central banks of the EU countries and other countries (the United States, Switzerland).

In 2006, a total of 183 NBS employees attended 155 such training and educational events abroad.

NBS staff also took part in Open Seminars organized by individual central banks of the ESCB. Among the most subscribed was a series of seminars jointly organized by the German and Austrian central banks on issues related to the New Basel Capital Accord, in particular on risk management.

For the training of new NBS employees, the IBE continued in 2006 to run the course „Minimum of the NBS Employee“. It also prepared a new series of seminars entitled „Crosscut of NBS Activities“, and pursued with the so-called European integration training (especially half-day or one-day seminars on current issues). In comparison with 2005, the extent of management training increased and language training registered a slight decline.

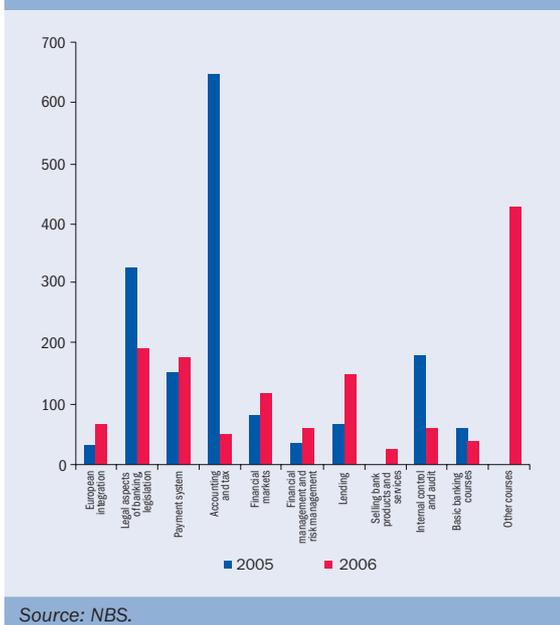
The NBS also supports employees in raising or enhancing their qualifications through external study at universities and certified educational programmes. Besides training and education of its own staff, the NBS provided pre-graduation work experience to 13 university students and work experience to 32 students of economics secondary schools during the previous year.

### 11.3.2 Training and education of commercial banks and other financial institutions employees

In 2006 the Institute of Banking Education prepared and held 121 training events attended by a total



**Chart 93 Training and education for employees of banks and other financial institutions (number of participants)**



Source: NBS.

of 1,589 employees of banks and other financial institutions. The structure and contents of these events were tailored to the needs of target groups, in particular banks.

The core part of the IBE programme comprised training events devoted to topical professional issues related to banking and finance. The participation within individual training categories in 2006 and 2005 is shown in the Chart 93. The numbers reflect the relevance of the issues for practical needs.

The category of training events which attracted the most interest in 2006 was “other courses”. This in-

cluded mainly the free-of-charge training of financial market entities in a software application system for the collection, processing and reporting of statistical data, in regard to the expansion of the group of entities subject to NBS supervision as of 1 January 2006. The interest in the other categories of training and education remained relatively stable.

The training events were usually seminars of an interactive and practical type. At the seminars, trainers used primarily participatory methods of teaching that facilitated the active involvement of participants in the training process and the acquisition or development of practical knowledge and skills. The average duration of an event was 1.5 days, which reflected a global trend to make such events shorter.

### 11.3.3 Internal trainers

Internal trainers – members of the NBS staff – are actively involved in the preparation and implementation of training and educational events. In addition to their demanding work duties, they willingly make the time to share their expertise and experience with colleagues from the NBS and employees of commercial banks and other financial institutions.

NBS experts also take part in teaching activities within the context of providing foreign technical cooperation and assistance, which are provided at a highly professional level.

Altogether in 2006 there were 153 training presentations, which included the involvement of 83 NBS staff.