



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

CHAPTER 3

SUPERVISION OF THE FINANCIAL MARKET



3 SUPERVISION OF THE FINANCIAL MARKET

The Financial Market Supervision Unit of Národná banka Slovenska (hereinafter 'the FMS Unit') performs regulatory, licensing, supervisory, analytical and international activities⁴ within the limits of its competence. Its regulatory activities comprise the drafting of generally binding NBS regulations pertaining to the financial market, prudential business rules, the rules of secure operation, and other requirements for the activities of entities that are subject to supervision.

In conducting licensing activities and/or first-instance proceedings before NBS (on the basis of which decisions concerning the rights and duties of entities under supervision or other persons are made in various areas of supervision), the FMS Unit grants authorisations, licences, approvals and prior approvals; imposes penalties, remedial measures or other sanctions; issues other decisions and opinions under the financial market supervision law⁶ and related laws; and oversees the implementation of its decisions, including compliance with the conditions laid down therein. In addition, the FMS Unit delivers and/or receives notifications to/from entities operating in various areas of the financial market and intending to provide services in Slovakia and/or in other member states of the European Economic Area, either through a local branch or directly on the basis of the freedom to provide services. Furthermore, the FMS Unit keeps a register of entities that are subject to supervision, as well as a register of creditors providing consumer credits or loans under the law on consumer credits⁶.

When exercising supervision through on-site and off-site inspections, NBS ascertains important facts about the entities under supervision and their activities, especially shortcomings, their causes and consequences, and the persons responsible for these shortcomings.

3.1 FINANCIAL MARKET REGULATION IN SLOVAKIA

In 2011, the FMS Unit devoted a significant part of its regulatory activity to cooperation in the

preparation of Act No. 520/2011 Coll. of 30 November 2011 amending and supplementing the Securities Act⁷, and to the preparation of related legal regulations. The purpose of this Act was to implement the European Union's directives 2010/73⁸, Omnibus I⁹, and CRD III¹⁰. The provisions transposed from the Omnibus I directive were intended to adjust the relevant Slovak legislation to the new needs of the new European supervisory architecture, requiring the individual national supervisory bodies to cooperate closely with the newly established European supervisory authorities. The modified legal regulations should ensure that the required exchange of information between them is free of obstacles. Among other things, the European supervisory authorities should help the national supervisory bodies to settle their conflicts and should keep European registers and databases. Another objective was to improve the functioning of the internal market by ensuring top-level, effective, and consistent prudential business regulation and supervision, investor protection, as well as enterprise and consumer protection, integrity protection, properly functioning financial markets, a stable and sustainable financial system, real economy, protection for public finances, and effective international cooperation in the area of supervision.

Regarding banking, the regulations implementing the CRD III directive were mainly designed to modify the capital requirements for the trading book and for re-securitisation, and the supervisory review of remuneration policies.

In the area of payment services, the FMS Unit cooperated mainly in the drafting of Act No. 394/2011 Coll. of 19 October 2011, which amends the law on payment services¹¹. The new law was designed to modernise the previous one with special emphasis on the prudential business of electronic money institutions, in line with the system prescribed for payment institutions by the directive on payment services. The main purpose of this law was to create conditions for the introduction of new, innovative and safe electronic banking services, and to provide a clear legal

4 A detailed report on the activities of the Financial Market Supervision Unit for 2011 is available on the website of Národná banka Slovenska at <http://www.nbs.sk/en/financial-market-supervision/analysis-reports-and-publications-in-the-field-of-financial-market/reports-on-the-activities-of-the-financial-market-supervision>

5 Act No. 747/2004 Coll. on financial market supervision and on amendments to certain laws as amended.

6 Act No. 129/2010 Coll. on consumer credits and other credits / loans for consumers, and on amendments to certain laws as amended by Act No. 394/2011 Coll.

7 Act No. 566/2001 Coll. on securities and investment services (Securities Act) and on amendments to certain laws as amended.

8 Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010, amending Directives 2003/71/ES on the prospectuses to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

9 Directive 2010/78/EU of the European Parliament and of the Council amending directives of the European Union in respect of the powers of the European Supervisory Authority (European Banking Authority), the European Supervisory Authority (European Insurance and Occupational Pensions Authority), and the European Supervisory Authority (European Securities and Markets Authority).

10 Directive 2010/76/EU of the European Parliament and of the Council of 14 December 2010, amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisation, and the supervisory review of remuneration policies.

11 Act No. 492/2009 Coll. on payment services and on amendments to certain laws as amended.



framework for the strengthening of the common market for electronic payments. This was partly a reaction to the emergence of new categories of prepaid payment instruments in the context of rapid changes in the business environment resulting from progress in information technology, aimed at opening a market for the issuance of electronic money via electronic money institutions controlled on the basis of a special prudential business regime.

In the area of insurance, there were no marked legislative changes in 2011. In connection with the approved EU directive *Solvency II*¹², however, a new insurance law was prepared during the year, with the aim of transposing the said directive into Slovak legislation.

In the area of financial intermediation and financial counselling, 2011 was the year when the law on financial intermediation and financial consulting¹³ was applied in practice in full range (except for the section on professional competence) for the first time. In this connection, financial intermediaries and financial advisors had to be guided in methodological terms throughout the year. On the website of NBS¹⁴, explanations were published in respect of all the key provisions of the law on financial intermediation and financial counselling. The time limit for meeting the requirements for medium-level professional competence expired in 2011, as well as the time limit for meeting the requirements for professional competence at a higher level. Professional examinations at the respective levels were passed by almost 20,000 persons. Professional examinations for certified financial advisors were conducted directly by NBS at the beginning of October and December.

In the area of pension saving, the FMS Unit devoted a substantial part of its regulatory and methodological activities to cooperation in the preparation of a draft amendment to the law on retirement pension savings¹⁵ (Act No. 334/2011 Coll., which entered into force on 1 November 2011). The main changes in the regulation of saving for retirement concerned the structure and amount of payments, the creation of a new pension fund, the extension of investment possibilities to existing pension funds, including extensive requirements for the risk management

systems of all pension funds, as well as changes in approach to the so-called 'guarantees'. The basic provisions of this amendment, for example those pertaining to investment in pension funds, will become effective on 1 April 2012. Apart from the aforementioned activities, the FMS Unit also commenced work on the preparation of implementing regulations for the approved amendment to the retirement pension savings law, i.e. decrees on risk management, the valuation of assets managed by pension funds, and the reporting requirement for pension asset management companies.

The most significant regulatory changes in the area of securities market supervision in 2011 were the adoption of a new recodified law on collective investment¹⁶ and the preparation of implementing regulations for that law. As the recodified collective investment law represents a completely new legal regulation for numerous areas of supervision, the FMS Unit received lots of applications from entities under supervision for opinion on certain problems related to the new law. Since the law on collective investment gives NBS a relatively wide range of authority in this area, numerous implementing regulations were issued in 2011 in connection with this law. The most significant was a decree on risks and risk management systems¹⁷, which was the first decree concerning collective investment in Slovakia to set detailed rules regarding the basic obligations of asset management companies during risk management. This decree specifies the tasks of risk managers and thus increases the protection of mutual fund shareholders. The FMS Unit also prepared a decree setting out the criteria, limits, and restrictions that are to be met by short-term money market funds and money market funds¹⁸. Thus, a directive issued by the European supervisory authority for securities and securities markets was implemented in regard to this market for the first time. Within the scope of its methodological activity, the FMS Unit also released¹⁹ a document designed to help entities notify the market of cross-border sales of securities by foreign UCITS funds in Slovakia²⁰. A methodological guideline was also started to be prepared – a manual containing key information for investors (KIID), which, under the new collective investment law, will replace the previously used simplified sales prospectus.

12 Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of insurance and reinsurance.

13 Act No. 186/2009 Coll. on financial intermediation and financial counselling and on amendments to certain laws as amended.

14 <http://www.nbs.sk/en/financial-market-supervision/financial-mediation-and-financial-advisory-supervision>

15 Act No. 43/2004 Coll. on retirement pension savings and on amendments to certain laws as amended.

16 Act No. 203/2011 Coll. on collective investment.

17 Decree No. 11/2011 of Národná banka Slovenska of 27 September 2011 on risks and risk management systems, risk measurement, and the calculation of overall risk and counterparty risk.

18 Decree No. 10/2011 of Národná banka Slovenska of 13 September 2011 setting out the criteria, limits, and restrictions that are to be met by short-term money market funds and money market fund.

19 <http://www.nbs.sk/en/financial-market-supervision/securities-market-supervision/collective-investment/notifications>

20 Information concerning laws and other generally binding legal regulations applicable to the distribution of securities of European funds in the Slovak Republic, disclosed in accordance with § 145 of Act no. 203/2011 Coll. on collective investment (according to Article 91 (3) of Directive 2009/65/EC.



3.2 THE BANKING, PAYMENT SERVICES, AND FOREIGN EXCHANGE SECTORS

LICENSING ACTIVITY AND PROCEEDINGS BEFORE NBS

In 2011, a total of 87 administrative decisions were issued in regard to the **banking sector**. Most proceedings (54 decisions) were conducted in connection with the granting of prior approval to replace a member or members of the board of directors or supervisory board, managerial employees or general proxies. The most important decisions were the following:

- a decision made on February 2011 to grant prior approval to PENTA INVESTMENTS LIMITED, Limassol, Cyprus, to acquire a qualifying holding of 88.7% in Dexia banka Slovensko a.s.²¹, Žilina, as a result of which the bank became its subsidiary, and
- a decision made on December 2011 to grant prior approval to Sberbank of Russia, Moskau, Russian Federation, to acquire a qualifying holding in VOLKSBANK Slovensko, a.s., in order to obtain an indirect stake in the bank. Sberbank of Russia also acquired a 100% share of the Austrian Volksbank International AG, which owned 93.38% of the share capital of VOLKSBANK Slovensko, a.s.

In 2011, three branches of foreign banks started to operate in Slovakia, namely: BKS Bank AG, pobočka zahraničnej banky; Komerční banka, a.s., pobočka zahraničnej banky; and AKCENTA, spořitelni a úvěrní družstvo, Košice branch.

NBS recorded 17 credit institutions that notified their intention to provide cross-border banking services in the territory of Slovakia.

In the area of **payment services**, authorisation to provide payment services was granted to four

entities in 2011, i.e. to Diners Club CS, s.r.o.; Home Credit Slovakia, a.s.; EXPRESS SERVICE, s.r.o.; and CETELEM SLOVENSKO, a.s.

Diners Club CS, s.r.o., also notified NBS of its intention to provide payment services in another Member State; on the basis of this notification the payment institution provides services via a branch office in the Czech Republic (as from April 2011).

In 2011, NBS recorded 46 foreign payment institutions that notified their intention to provide payment services in Slovakia without establishing a branch office, as well as 12 agents of foreign payment institutions providing cross-border payment services in Slovakia.

In the **foreign exchange sector**, NBS granted 21 foreign exchange licences for currency exchange activities, on the basis of legal and factual assessment of applications and enclosed documents.

As at 31 December 2011, the FMS Unit recorded 162 active creditors (including banks and branches of foreign banks) which were included in the *Register of Creditors Providing Consumer Credits*.

Regarding the **banking sector**, one first-instance proceeding to impose a penalty was initiated in 2011. Within the scope of ongoing first-instance proceedings, one decision to impose a penalty entered into force in 2011.

As for the **foreign exchange sector**, one first-instance proceeding to impose a penalty came to an end with the issuance of a final first-instance decision, and one proceeding to impose an ad-

Table 8 Number of first-instance proceedings in the banking, payment services, and foreign exchange sectors (licensing and sanction proceedings in total)

Sector	Proceedings carried over from 2010 to 2011	Proceedings brought in 2011	Decisions issued in 2011	Decisions that entered into force in 2011
Banking sector	5	84	89	89
Payment services	3	18	19	19
Foreign exchange	3	21	23	23
Total	11	123	131	131

Source: NBS.

²¹ As from 1 January 2012, Prima banka Slovensko, a. s.



ministrative penalty was initiated. Within the scope of first-instance proceedings, one proceeding brought in 2010 came to an end in 2011 with the issuance of a final decision to impose a penalty, which came into force in the same year.

An overview of first-instance proceedings in the banking, payment services, and foreign exchange sectors is given in Table 8. The overview covers both licensing and sanction proceedings.

SUPERVISORY ACTIVITIES

Supervision over banks and branches of foreign banks in 2011 was exercised on the basis of the annual supervision programme, the evaluated risk profiles of the entities under supervision, as well as on the impact of the financial and economic crisis on the banking sector and the main risks posed to the sector. The key priority for 2011 was the monitoring of banks' credit and market risks, capital adequacy and liquidity.

Off-site supervision in 2011 focused on analysing the financial indicators of banks and branches of foreign banks on a regular basis and on monitoring the liquidity of banks and intra-group transactions. Supervisory activities also included tasks related to methodology improvement. An overview of on-site inspections conducted in the area of banking is available in Table 9.

In 2011, the FMS Unit carried out monthly analyses on the basis of statements and reports supplied regularly by banks and branches of foreign banks, semi-annual analyses of the individual banks, and annual reports on banks, including a detailed evaluation of their financial indicators, including capital adequacy. For the purpose of an aggregate assessment of risks and capital in banking groups, the FMS Unit also produced *risk profile and capital evaluation*

reports for the home supervisors of those banks that are subsidiaries of banks based in another EU country. Within the scope of methodology improvement, a comprehensive methodology was prepared for assessing the capital adequacy of banks, as part of the overall annual assessment of banks under Section 6(2) of the Banking Act²².

In 2011, eleven thematic on-site inspections were commenced in the banking sector: ten inspections were conducted in banks and one in a branch of a foreign bank. Of these inspections, seven were formally completed in 2011. In addition, a comprehensive annual assessment was also made for each bank, as well as two assessments of banks' internal models used for capital requirement calculation. The primary focus of on-site inspections in banks was on verifying the functionality of the risk management system, mainly in relation to credit risk, liquidity risk, market risk and operational risk, and the reporting of capital requirements for the individual risks. In addition, the inspections also centred on the creation of provisions, credit claims, the provision of investment services, and the prevention of money laundering.

The supervision process also includes assessments of banks' own internal models used for credit, market or operational risk assessment (and of modifications to these models). These assessments were made on the basis of applications made by the banks for prior approval to use an internal model for the calculation of capital requirements for particular risk types. Where such application is made jointly by a parent bank and its subsidiary banks, the assessment of the models is, in accordance with EU law, carried out in cooperation with the supervisors of the parent bank and its subsidiaries. The home and host supervisors come to a joint decision on whether the use of an internal model is eligi-

Table 9 Number of on-site inspections conducted in the banking sector in 2011

Entities	Comprehensive inspections	Thematic inspections	Follow-up inspections	Inspections in total
Banks	-	10	-	10
Branches of foreign banks	-	1	-	1
Total	-	11	-	11

Source: NBS.

²² Act No. 483/2001 Coll. on banks and on amendments to certain laws as amended.



ble and, if so, on the conditions under which it may be used. In 2011, a total of four applications for prior approval to modify an internal model for capital requirement calculation were filed. During the year, numerous applications were filed for approval for modifications to models for capital requirement calculation for which prior approval was not required, since they were based on the conditions stipulated in the prior approval granted for the use of an internal model.

3.3 THE INSURANCE, PENSION SAVING, FINANCIAL INTERMEDIATION, AND SECURITIES MARKET SECTORS

LICENSING ACTIVITY AND PROCEEDINGS BEFORE NBS

The insurance, pension saving, and financial intermediation sectors

As at 31 December 2011, there were 20 insurance companies, 6 pension asset management companies, and 5 supplementary pension asset management companies operating in the Slovak insurance and pension saving market. At the same date, a total of 44,236 entities were recorded in the *Register of Financial Agents and Financial Advisors* kept by NBS.

Decisions issued in 2011 concerned mainly changes arising from the activities of entities under supervision, e.g. the granting of prior approval for the appointment of a person as member of the board of directors or for a change in the firm's licence to operate. Eight persons were included in the list of actuaries in 2011. The most important decisions issued in the area of insurance, pension saving and financial intermediation were the following:

- NBS granted prior approval to Poštová banka, a.s., to acquire a 100% holding in the share capital and voting rights of ČSOB d.s.s., a.s., a pension funds management company, in a single direct operation. The company's business name was subsequently changed to Dôchodková správcovská spoločnosť Poštovej banky, d.s.s., a.s.
- NBS granted prior approval to AEGON, d.d.s., a.s., to cancel two supplementary pension funds, namely 'Príspevkový d.d.f., AEGON, d.d.s., a.s.' (a contributory fund) and 'Výplacný d.d.f., AEGON, d.d.f., a.s.' (a payment fund).
- NBS granted prior approval to STABILITA, d.d.s., a.s., to establish a new supplementary pension fund under the name 'Stabilita akciový príspevkový d.d.f., STABILITA, d.d.s., a.s.' (a contributory equity fund).

A total of 304 proceedings concerning the imposition of a sanction were conducted in the insurance, pension saving and financial intermediation sectors in 2011 (301 of these proceedings were brought in 2011). In regard to these sectors, the FMS Unit issued 171 first-instance decisions in 2011, including 147 decisions to impose a sanction (mostly licence withdrawal, including 6 decisions to impose a penalty) and 21 decisions to bring a proceeding to a close. In three cases, the Unit brought a proceeding to a close on the basis of its own decision. A total of 164 first-instance proceedings entered into force in 2011.

Table 10 provides an overview of the number of first-instance proceedings (licensing and sanction proceedings in total) conducted in the insurance, pension saving and financial intermediation sectors.

Table 10 Number of first-instance proceedings in the insurance, pension saving, and financial intermediation sectors (licensing and sanction proceedings in total)

Sector	Proceedings carried over from 2010 to 2011	Proceedings brought in 2011	Decisions issued in 2011	Decisions that entered into force in 2011
Insurance	6	27	31	33
Pension saving	0	65	59	59
Financial intermediation	28	514	384	167
Total	34	606	474	259

Source: NBS.



The securities market sector

Regarding the activities of investment firms, nine various decisions were issued in 2011 and 219 notifications received from foreign investment firms.

During 2011, a total of 42 securities prospectuses were approved under Section 125(2) of the Securities Act and 81 notifications regarding the approval of securities prospectuses, or supplements to securities prospectuses, received from the supervisory authorities of other EU countries. In 2011, two investment prospectuses were approved for two entities making a public offering and two supplements to investment prospectuses under Section 127(2) and (4) of the Securities Act. A total of 11 notifications of public offerings were assessed by NBS pursuant to Section 129 of the Securities Act, seven of which were not allowed to be released.

Within the scope of licensing activities in regard to other regulated market entities, the following proceedings were conducted in 2011:

- five proceedings before NBS in regard to the Bratislava Stock Exchange, a.s. (BSSE);
- four proceedings before NBS in regard to the activities of the Central Securities Depository of the SR, a.s.;
- one proceeding before NBS in regard to the Investment Guarantee Fund.

Within the scope of its licensing activity, NBS issued seven decisions in 2011 in take-over bid proceedings concerning the activities of issuers of shares traded on the regulated Bratislava Stock Exchange market. No approval was granted in 2011 for the exercise of a squeeze-out right.

In 2011, there were eight *asset management companies* operating in the Slovak market. They established three new open-end mutual funds and one special public mutual fund. One funds management company was authorised to manage a special professional investment fund, while two asset management companies notified their intention to return their licence to establish a mutual fund. At the same time, five open-end mutual funds of Allianz Asset Management, správ. spol., a.s., were placed under the management of IAD Investments, správ. spol., a.s. Subsequently, NBS granted prior approval for the merger of Allianz Asset Management, správ. spol., a.s., with IAD Investments, správ. spol., a.s. The merger took place on 30 December 2011.

NBS, as the competent body to issue authorisations in relation to rating agencies under Section 132(o)(1) of the Securities Act, examined an application filed for the registration of a company before 7 September 2010. The registration proceeding, however, was not completed in 2011 with the issuance of a final decision.

In regard to the securities market, nine sanction proceedings were conducted in 2011, one of which was commenced in 2011. In this sector, the FMS Unit issued eight first-instance decisions concerning the imposition of a sanction (the sanction in one case was licence withdrawal).

Table 11 provides an overview of the number of first-instance proceedings (licensing and sanction proceedings in total) concerning the securities market, collective investment, and rating agencies.

Table 11 Number of first-instance proceedings concerning the securities market, collective investment, and rating agencies (licensing and sanction proceedings in total)

Sector	Proceedings carried over from 2010 to 2011	Proceedings brought in 2011	Decisions issued in 2011	Decisions that entered into force in 2011
Securities market	11	87	89	85
Collective investment	2	79	81	81
Rating agencies	1	0	1	0
Total	14	166	171	166

Source NBS.



Supervisory activities

On-site inspections in 2011 were conducted first and foremost in companies in which such inspections had not yet been carried out, and in companies having a significant position in the sector.

An overview of on-site inspections conducted in the insurance, pension saving, financial intermediation, and securities market sectors is provided in Table 12.

The aim of off-site supervision is to monitor and evaluate the financial situation and risk profile of entities that are subject to supervision, on the basis of information reported on a regular basis, information obtained during on-site inspections, and publicly available information. Such information is obtained mainly from statements delivered to NBS through the STATUS DFT information software, from semi-annual financial reports, and from the websites of companies containing certain obligatory data and information. The subsequent analysis of this information provides source data for the needs of off-site supervision, which is conducted on a quarterly basis.

In the *insurance sector*, off-site supervision verified the regular statements and reports of insurance companies and of the Slovak Bureau of Insurers for 2010 (audited data) and for each quarter of 2011 (unaudited data), as well as statements made on an ad-hoc basis. Reports on the activities of branches of insur-

ers from other Member States in the territory of Slovakia were also submitted to NBS in 2011. The quarterly financial statements of insurance companies are analysed in the FINAN system and the results are displayed via its graphical interface. On-site inspections focused on compliance with the relevant provisions of the Insurance Act²³, related laws, generally binding implementing regulations, and the terms and conditions laid down in the licence issued under the Insurance Act. In 2011, three comprehensive and two combined (thematic / follow-up) on-site inspections were conducted among insurance companies, as well as four follow-up inspections.

In 2011, off-site supervision of the *retirement pension sector* covered six pension asset management companies (managing a total of 18 pension funds) and four banking institutions performing depository activities under the Retirement Pension Savings Act. In this sector, a comprehensive on-site inspection was started and completed in 2011 in one pension funds management company only. In 2011, off-site supervision of the *supplementary pension sector* covered five supplementary pension asset management companies (managing a total of 15 supplementary pension funds) and four banks performing depository activities under the Supplementary Pension Savings Act²⁴. In this sector, a comprehensive on-site inspection was carried out in one supplementary pension funds management company in the second half of 2011.

Table 12 Number of on-site inspections conducted in the insurance, pension saving, financial intermediation, and securities market sectors in 2011

	Comprehensive inspection	Thematic inspection	Follow-up inspection	Inspections in total
Pension asset management and supplementary pension asset management companies	2	0	0	2
Insurance companies	3	2	6 ¹⁾	11
Independent financial agents	5	1	-	6
Investment firms licensed under the Securities Act	5	0	0	5
Domestic asset management companies	3	0	1	4
Total	18	3	7¹⁾	28

Source: NBS.

1) Two on-site inspections were both thematic and follow-up inspections.

23 Act No. 8/2008 Coll. on insurance and on amendments to certain laws as amended.

24 Act No. 650/2004 Coll. on supplementary pension savings and on amendments to certain laws as amended.



Off-site supervision in the area of **financial intermediation and financial counselling** in 2011 focused primarily on verifying the entities under supervision for compliance with the obligation to harmonise their activities with the relevant provisions of the law on financial intermediation and financial counselling. Entities are required to bring their activities into line with this law, as well as the activities of their subsidiaries, and to report their compliance with this requirement to NBS via the internet. In 2011, one thematic, one follow-up, and four comprehensive on-line inspections were conducted among the entities under supervision. One on-site inspection was not formally completed by 31 December 2011.

In the **securities market sector – among investment firms (non-bank entities)**, subject to off-site supervision were 16 domestic and 7 foreign investment firms performing activities under the Securities Act. In 2011, four comprehensive on-site inspections were commenced among investment firms. Two of them were completed by the end of the year, in addition to one on-site inspection started in 2010.

In the **securities market – collective investment sector**, off-site supervision in 2011 covered eight domestic asset management companies (managing a total of 80 mutual funds) and five banks performing depository activities under the Collective Investment Act. Three comprehensive on-site inspections were commenced among asset management companies in 2011. In one funds management company, a follow-up inspection started in 2010 was completed in 2011.

In the **securities market sector – among securities issuers and companies making public offerings**, NBS exercised off-site supervision in 2011 over issuers whose securities were admitted to trading on a regulated market of the Bratislava Stock Exchange and over companies making public offerings, in each case focusing on their compliance with the disclosure requirement laid down in the relevant law. The number of issuers whose securities were admitted to trading on a regulated market and which were subject to the disclosure requirement under the Stock Exchange Act²⁵ was 92 as at 31 December 2011. In 2011, NBS verified annual reports, semi-annual reports, preliminary statements, and other

documents presented in line with the disclosure requirement. NBS also exercised off-site supervision among bond issuers, by verifying their compliance with the requirement to make their issuing conditions available to the public.

3.4 CONSUMER PROTECTION

The Financial Clients Protection Section of the FMS Unit deals with submissions from customers of financial institutions that are subject to supervision by Národná banka Slovenska.

In 2011, the FMS Unit received a total of 669 complaints from natural and legal persons about the practices of financial service providers. The most frequent subject matter of complaints in the area of banking (189 complaints) was changes in the amount of bank charges. In the area of insurance (where the highest number of complaints were made, i.e. 377), the complaints concerned mostly compulsory third-party motor insurance claims for compensation for damaged windscreens. In the securities market sector (25 submissions), the vast majority of complaints concerned fees charged for the cancellation of securities accounts. In the area of supplementary pension saving (14 submissions), the most frequent subject matter of complaints was the amount of the withdrawal fee. The method, range, and quality of information provision were the most frequent subject matter in the area of financial intermediation (28 complaints). In general, submissions received from the clients of entities under supervision represent an important source of information about the activities of these entities. The information so obtained is taken into account by NBS when conducting on-site inspections.

Within the scope of its activities, the Financial Clients Protection Section (hereinafter 'the FCP Section') initiated numerous legislative changes in 2011, for example amendments to Section 11(1) of the Consumer Credit Act and to Section 93(a) (7) of the Banking Act. The FCP Section also initiated the issuance of a methodological guideline for banks providing mortgage loans²⁶ in order to establish a uniform procedure for assessing the incomes of young applicants for mortgage loans with a government bonus. This guideline was is-

²⁵ Act No. 429/2002 Coll. on the stock exchange as amended.

²⁶ Methodological guideline for mortgage banks recommending a uniform procedure for assessing the incomes of young applicants for mortgage loans with a government bonus.



SUPERVISION OF THE FINANCIAL MARKET

sued by the Ministry of Finance of the SR. NBS identified a shortcoming in the determination of the authority allowing exemptions from the restrictive measures imposed by the European Union against Iran. This shortcoming was elimi-

nated with the help of NBS. Another contribution of the FCP Section was the solution of a conflict between NBS and the Slovak Trade Inspection in the matter of competence in the area of supervision over the provision of consumer credits.