



EUROPEAN AFFAIRS AND INTERNATIONAL COOPERATION



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8.1 EUROPEAN AFFAIRS

THE EUROSISTEM

On 1 January 2009, NBS became a member of the Eurosystem, which comprises the ECB and the national central banks of all the EU Member States that have adopted the euro. The NBS Governor is, by virtue of his position, a member of the ECB Governing Council, the ECB's supreme monetary-policy authority (whose main responsibility is to formulate monetary policy for the euro area). The Governor is also a member of the ECB General Council, a transitional decision-making body that will cease to exist once all EU Member States have adopted the single currency. In 2011 the NBS Governor attended 22 meetings of the Governing Council and four meetings of the General Council.

The ECB's decision-making bodies are assisted in their tasks by the committees of the Eurosystem/European System of Central Banks, established for each of the principal areas of central bank activities. During 2011 more than 70 NBS employees participated directly in the work of these committees and their working groups. The participation of NBS specialist departments in Eurosystem tasks represents a significant part of the central bank's activities.

THE EUROPEAN UNION

The NBS Governor attended informal meetings of the Council of Ministers for Economic Affairs and Finance (ECOFIN) in 2011, which were held in Gödöllő, Hungary in April and Wrocław, Poland in September (the meetings are held in the country that holds the rotating EU Presidency). A number of NBS employees were involved in activities of committees, sub-committees and working groups of the European Commission and European Council.

8.2 NBS COOPERATION WITH INTERNATIONAL INSTITUTIONS

INTERNATIONAL MONETARY FUND (IMF) AND THE WORLD BANK

For the Bretton Woods institutions, the main events in 2011 were the IMF/WB Spring and An-

nual meetings in April and September, which were attended by the NBS Governor in his capacity as Governor of the IMF for Slovakia.

Slovakia's exposure to the IMF increased in 2011. As at 31 December 2011 Slovakia's commitment to the IMF amounted to SDR 115.4 million under the Financial Transactions Plan (FTP) and SDR 51.7 million under a bilateral loan agreement with the IMF.

A regular IMF mission visited Slovakia in March 2011 for economic policy consultations under Article IV of the IMF Agreement. In July the IMF undertook consultations on matters of euro area monetary policy and foreign-exchange policy common to all euro area countries. Slovakia was also involved in other regular IMF activities in 2011, for example, the updating of the Annual Report on Exchange Arrangements and Exchange Restrictions.

Slovakia's contribution to the International Development Association (IDA) in 2011 amounted to €670,000 and its contribution to the Multilateral Debt Relief Initiative (MDRI) represented €40,000. The contributions were made under the terms of Slovakia's participation in the 15th replenishment of IDA funds and in the financing of the MDRI. Slovakia also participated in the 16th IDA replenishment in 2011, under which it has committed €2.63 million in contributions for the period 2012–2014.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

In 2011 Národná banka Slovenska participated in the OECD's questionnaire-based strategic assessment entitled "Competition and Market Efficiency". In the same year Slovakia supported the introduction of an OECD programme budget that includes the ex post evaluation of output results through implementation reports. The economic outlook for Slovakia assumes a slowdown in economic activity, stemming from an uncertain climate in the country's trading partners and from the impact of fiscal consolidation measures on domestic consumption.



EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

In May 2011 the Board of Governors of the EBRD held its 20th Annual Meeting in the Kazakh capital Astana, where it was agreed that the new version of our Constituency Agreement will be drafted. The new Agreement was signed in October 2011. The new Constituency Agreement governs among other matters the mechanism for ensuring the tasks of the constituency's office. In October 2011 Georgia became the newest member of this constituency.

BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

The Annual General Meeting of the BIS was held in June 2011, with NBS represented by the Governor and the Bank Board member responsible for financial market operations and payment services. Besides approving the distribution of BIS profits, the BIS Board assessed the territorial representation of the BIS member base, taking into account the economic and financial importance of each region and how it has changed since the previous BIS enlargement in 2003. The Board also decided to invite the central banks of Peru, Colombia, the United Arab Emirates, and Luxembourg to become BIS members, thereby increasing the number of BIS shareholders to 59.

The governors of BIS member central banks hold meetings on a bimonthly basis, and last year these focused on such issues as: inflation expectations in the wake of the recession; global liquidity; indebtedness; risks and economic growth; commodity financial products; and the role of central banks in the sovereign debt market during a crisis.

8.3 INTERNATIONAL ACTIVITIES OF NBS IN THE FIELD OF SUPERVISION

Four institutions were established on 1 January 2011 as part of the new European-level supervisory architecture. One was the European Systemic Risk Board (ESRB), responsible for macro-prudential supervision of the EU financial system, and the other three were the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authority (ESMA), all responsible for micro-prudential

supervision.⁴³ Národná banka Slovenska was involved in the activities of these bodies throughout 2011.

The ESRB is based in Frankfurt, and the ECB provides it with analytical, statistical, organisational, and administrative support. The highest decision-making body of the ESRB is the General Board, and its members include the NBS Governor and the Executive Director of the NBS Financial Market Supervision Unit. The main task of the ESRB is to monitor systemic risks, in particular. In 2011 the ESRB, on the basis of its own analyses, issued a number of warnings and recommendations⁴⁴ as well as opinions on macro-prudential aspects of EU legislation.

The EBA, based in London, replaced the Committee of European Banking Supervisors (CEBS). The EIOPA (Frankfurt) replaced the Committee of European Insurance and Occupational Pension Supervisors (CEIOPS). The ESMA (Paris) replaced the Committee of European Securities Regulators (CESR). NBS is represented on the Board of Supervisors (the highest decision making body) of each of these European micro-prudential supervision authorities by a senior staff member from its Financial Market Supervision Unit.

The tasks of the EBA, EIOPA and ESMA include: providing opinions to EU institutions; producing guidelines, recommendations and draft technical regulations of a regulatory and implementing nature; supporting the consistent application of legally-binding EU acts (mainly by preventing regulatory arbitrage, harmonising practices, mediating and settling disputes between competent authorities, and coordinating and adopting measures for crisis situations); and improving the quality of cooperation between supervisors, the delegations of tasks and the functioning of the colleges of supervisors. Each of the authorities has permanent committees to assist their decision-making, with the objective of improving financial market regulation and the limitation of systemic risks. Participating in the meetings and work of these committees (and many working groups) are staff members of the NBS Financial Market Supervision Unit.

The FMS Unit's activities in the international area in 2011 also included cooperation with supervisory authorities from other countries, in par-

⁴³ They were established on the basis of Regulations of the European Parliament and of the Council No 1092/2010, No 1093/2010, No 1094/2010 and No 1095/2010 of 24 November 2010.

⁴⁴ For example, recommendations on lending in foreign currencies, US dollar denominated funding of credit institutions, and the macro-prudential mandate of national authorities.



particular with the supervisors of the parent banks and parent insurance undertakings of which subsidiaries of banks and insurance companies are established in the Slovak Republic. Last year's cooperation with supervisors took place at both bilateral and multilateral levels, mainly through the supervisory colleges for different banking and insurance groups.

8.4 FOREIGN TECHNICAL ASSISTANCE

Národná banka Slovenska was one of fourteen Eurosystem central banks that in 2011 joined the technical assistance programme "Crisis Response Package", which had been prepared the year before by the ECB in cooperation with the IMF and World Bank in response to the financial crisis. The programme was focused entirely on supporting financial market supervision in eight EU-candidate and potential EU-candidate countries; it had three components as follows: 1) a system of expert seminars; 2) bilateral cooperation in drafting measures to improve prudential supervision in individual countries; and 3) technical simulation exercises focusing on cross-border cooperation in supervision.

NBS was involved in the first two components; it organised a series of seminars on Pillar II of the pension system, ICAAP/SREP, and risk assessment and measurement, and it assisted the Central Bank of Montenegro in the drafting of

measures on Pillar II regulation, bank licensing, and IAS/financial reporting. The programme was completed in December 2011.

NBS is also involved in the ESCB's system of technical assistance for the National Bank of Serbia, which was approved by the ECB Governing Council in December 2010 and started to be implemented in 2011. The cooperation between the Slovak and Serb central banks is focused on the preparation of manuals for supervision of the insurance corporations and pension funds sector and on the approximation of legislation.

NBS's long-standing provision of technical assistance to the National Bank of Ukraine was also maintained in 2011. In Bratislava, the Slovak central bank organised two expert seminars, one on "Financial stability" and another on "The organisation of internal control systems and risk management". In Kiev there was seminar on "Relations and communication between the central bank and general public".

NBS technical assistance to the National Bank of the Republic of Belarus also continued in 2011. In this regard, NBS organised two expert seminars for staff members from the Belarusian central bank, on "Foreign exchange management" and "The credit register". NBS staff members took part in two specialist training events in Belarus, on the topics of DSGE models and current issues in the banking sector.