



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

CHAPTER 8

EUROPEAN AFFAIRS AND INTERNATIONAL COOPERATION



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8.1 EUROPEAN AFFAIRS

EUROSYSTEM

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 Governing Council of the European Central Bank, the ECB's highest monetary-policy authority (its main responsibility being 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 2012 the NBS Governor attended 23 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/ESCB established for each of the principal areas of NBS activities. During 2012 more than 80 NBS employees participated in the work of these committees and their working groups. The participation of NBS specialist departments in Eurosystem tasks represents a significant part of NBS's activities.

THE EUROPEAN UNION

In 2012 the NBS Governor attended the two informal meetings of the Council of Ministers for Economic Affairs and Finance (ECOFIN), in Copenhagen in March and in Nicosia in September (the meetings are hosted by 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

The main events of the Bretton Woods institutions in 2012 were the IMF/WB Spring Meeting, held in Washington D.C. in April, and the IMF/WB

Annual Meeting in Tokyo in October. The NBS Governor attended both meetings in his capacity as Governor of the IMF for Slovakia.

In July 2012 the NBS Governor and Slovak Finance Minister, acting on behalf of Slovakia, signed the *Agreement on an IMF Constituency for 2012–2022 Establishing a Central and Eastern European IMF Constituency*. Under the Agreement, Austria will nominate the Executive Director of the IMF to be elected by the group for the period 2012–2014. Slovakia will hold a position of Senior Advisor to the Executive Director.

Slovakia's exposure to the IMF increased in 2012. As at 31 December 2012 Slovakia's commitment to the IMF amounted to SDR 123.5 million under the Financial Transactions Plan (FTP) and SDR 53.9 million under a bilateral loan agreement with the IMF.

A regular IMF mission visited Slovakia in May 2012 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. Consultations also took place during an IMF Staff Visit to Slovakia in December 2012.

In December 2012 Slovakia contributed €1.3 million to the IMF Poverty Reduction and Growth Facility (PRGF), using funds received from the IMF's windfall gold sales profits.

In 2012 Slovakia's contribution to the International Development Association (IDA) amounted to €820,000 and its contribution to the Multilateral Debt Relief Initiative (MDRI) was €60,000. The contributions were made under the terms of Slovakia's participation in the 16th replenishment of IDA funds and in the financing of the MDRI.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

In 2012 NBS representatives met members of an OECD structural and policy mission to Slovakia in order to discuss issues related to public finances.



In addition, NBS participated in the drafting of an OECD report on Slovakia, which was evaluated by the OECD's Economic and Development Review Committee on 22 October 2012 and presented on 6 December 2012, during a visit to Slovakia by OECD Secretary-General Angelo Gurría.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

In May 2012 the Board of Governor's of the EBRD held its 21st Annual Meeting in London. The Slovak delegation to the meeting included representatives of NBS and was headed by the NBS Governor. A key part of the meeting was the election of Sir Suma Chakrabarti (United Kingdom) as the new EBRD President, for a four-year term of office beginning on 3 July 2012. Also on the agenda was the approval of the auditor's report and the allocation of net income, including the earmarking of €1 billion for a special investment fund for the southern and eastern Mediterranean.

BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

In 2012 the NBS Governor attended the five regular meetings of the governors of BIS member central banks, held in Basel, Switzerland. The discussions centred on current issues related to the financial crisis, including the central bank bond purchase programme and its effectiveness, the importance of finances in central bank policy, reform of the OTC derivatives market, the insufficiency of collateral and its effect on central bank operations, and the scope and globality of the financial system.

The 82nd Annual General Meeting of the BIS was held in June 2012, with NBS represented by the Governor and the Bank Board member responsible for financial market operations. The main item on the agenda was the approval of the BIS's financial results and the distribution of its profit and dividends.

8.3 INTERNATIONAL ACTIVITIES OF NBS IN THE FIELD OF SUPERVISION

The new European-level supervisory architecture, established on 1 January 2011, completed its second year of operation in 2012. The **European Systemic Risk Board (ESRB)** is responsible for macro-prudential supervision, and the **European Banking Authority (EBA)**, **European Insurance and Occupational Pensions Authority (EIOPA)**,

and **European Securities and Markets Authority (ESMA)** are responsible for micro-prudential supervision.

The **ESRB's** General Board convened four times in 2012, with NBS represented by the Governor and the Executive Director of the Financial Market Supervision Unit. The Board's discussions focused on the systemic risks to the financial system. In 2012, based on an assessment of systemic risks, the General Board adopted two recommendations (on the funding of credit institutions, dealing mainly with asset encumbrance, and on money market funds), and it decided to publish two recommendations adopted in 2011 (on US dollar denominated funding of credit institutions, and on the macro-prudential mandate of national authorities). NBS, as an addressee of the recommendations, sent the ESRB a report on their implementation.

The **EBA's** activities in 2012 focused on the coordination of banking supervisors (which included assisting the supervisory colleges established for banking groups) and fulfilled its mandate in the areas of financial innovation and consumer protection by establishing common supervisory standards and procedures. The EBA performed these activities through its committees and through working groups set up under these committees. NBS representatives participated in the activities of the working groups. An EBA evaluation committee assessed the level of convergence which its members had achieved in the implementation of common supervisory standards and procedures.

NBS continued its involvement with the **EIOPA** in 2012 through the activity of NBS representatives on EIOPA committees and working groups, as well as by making proposals and comments regarding EIOPA documents on regulation and the functioning of the financial market in the areas of insurance, financial intermediation, and pensions. NBS fully exercised its power to vote for or against individual documents, whether at meetings of the EIOPA's Board of Supervisors or through the so-called "written approval" procedure. In 2012 NBS participated mainly in the production of draft technical standards and recommendations concerning the Solvency II Directive and in the drafting of EIOPA's advice on the review of the IORP Directive, which aims to modernise the European legal framework for pension business (Pillar III of the pension system).



NBS is also represented on **ESMA's** committees, being involved mainly in the formulation of relevant regulatory policies for the securities market as well as in the drafting of regulatory technical standards, guidelines and recommendations. In 2012 the focus of NBS's work with the ESMA was the drafting of regulatory and technical standards for the AIFM Directive, the preparation of several guidelines on UCITS funds, and the preparation of delegated regulations in relation to the revised directive on the prospectus.

NBS's activities in the international area also include cooperation with supervisory authorities from other countries, in particular with those of the parent banks and insurance undertakings of banks and insurance companies established in the Slovak Republic. Last year's cooperation with supervisors took place at both bilateral and multi-lateral levels, mainly through the supervisory colleges for different banking and insurance groups.

8.4 FOREIGN TECHNICAL ASSISTANCE

NBS was one of 21 Eurosystem/ESCB central banks which in 2012 were partners in the technical assistance programme for the National Bank of Serbia. The programme was approved by the ECB's Governing Council in December 2010 and started to be implemented in 2011. Through ongoing consultations and several missions in 2011 and 2012, NBS assisted the National Bank of Serbia in the preparation of manuals for the supervision of the insurance sector and supervision of pension funds. A third area of technical assistance between the two central banks was the approximation of EU legislation. NBS provided a wide-ranging presentation of the most important tasks in this regard and contributed its specific experience in the transposition of EU legislation and in related organisational measures. In view of savings in the planned costs, the programme was extended at the request of the National Bank of Serbia by almost one year, to 31 December, and it was also expanded to include other areas of technical assistance.

In 2012 NBS and 11 other Eurosystem/ESCB central banks were partners in the technical assistance programme for the National Bank of the Republic of Macedonia, the purpose of which is to compare the Macedonian central bank's activities in specific areas against EU standards and to set reference

points/levels that the bank must reach in these areas before the accession to the EU. The role of NBS in this programme centres on the areas of risk management, issuance of publications, and the building up of the central bank's library and archive.

In 2012 NBS continued its long-standing provision of technical assistance to the National Bank of Ukraine. Two specialist events were held in Bratislava, on the subjects of economic research and balance of payment statistical reporting by central banks. Another event, held in Kiev, focused on accounting and reporting according to European standards.

NBS cooperation with the National Bank of the Republic of Belarus also continued in 2012. NBS organised a specialist seminar on the payment system in Slovakia. At educational events in Belarus, NBS experts gave lectures on the preparation and implementation of monetary policy, corporate culture and the DSGE model.

As part of a twinning project, NBS representatives informed their counterparts from the National Bank of Poland on the most important aspects of the changeover to euro cash, in particular on preparations for a new, amended legal framework, the selection of the national sides of euro coins, calculating the required volume of euro banknotes and euro coins, and the agreement with the Eurosystem on the supply of euro banknotes. The presentation also included information on the transportation and logistical issues that NBS faced in regard to euro cash, on the logistical interactions between NBS and its customers (especially as the area of frontloading and sub-frontloading), and on the process of withdrawing the Slovak koruna from circulation. Other issues covered were the practical aspects of the single currency and the impact on the legal framework, obligations concerning the provision of cash services, and the implementation of policies decided on by the ECB's Governing Council.

As part of the European Commission's Technical Assistance and Information Exchange (TAIEX) instrument, staff members from the central banks of the Republic of Macedonia and Montenegro made study visits to Národná banka Slovenska in June 2012. The focus of these visits was the identification of counterfeits and the protection of the euro against counterfeiting.