



Several results of research projects conducted jointly with staff from other ESCB central banks were disseminated in ECB papers. One paper studied the impact of institutional factors on the indebtedness of euro area households<sup>24</sup>. Another paper concerned a new approach to the measurement of competitiveness and described the establishment and utilisation of

a new database<sup>25</sup>. A third paper examined financial stability in EU acceding and candidate countries<sup>26</sup>.

The most notable results of NBS research in 2014 were published in academic journals, mostly in Slovakia, but some also in international refereed journals<sup>27</sup>.

## 7 EUROPEAN AFFAIRS AND INTERNATIONAL COOPERATION

### 7.1 EUROPEAN AFFAIRS

#### EUROSYSTEM AND SINGLE SUPERVISORY MECHANISM

The Eurosystem 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's main decision-making body, the Governing Council, which is responsible for setting monetary policy for the euro area. In 2014 the Governing Council also began adopting decisions concerning the Single Supervisory Mechanism (SSM), which is responsible for the supervision of credit institutions in participating EU Member States. The Governor is also a member of the ECB's General Council, a transitional decision-making body that will cease to exist once all EU Member States have adopted the single currency. The ECB's decision-making bodies are assisted in their tasks by the committees of the Eurosystem, European System of Central Banks (ESCB) and SSM, established for all the principal areas of central bank activities. During 2014 more than 80 NBS employees participated directly in the work of these committees and their working groups. The NBS departments' work on Eurosystem tasks constitutes a substantial part of the central bank's activities.

#### EUROPEAN UNION

In 2014 the financial sphere saw several changes initiated by EU legal acts. For NBS, the most important changes concerned the first and second pillars of the banking union and the area of cashless payments, specifically the migration to the new SEPA payment instruments.

In April the NBS Governor, Jozef Makúch, attended the informal ECOFIN Council meeting in Athens. The issues addressed at the meeting were the SSM, the Single Resolution Mechanism, banking structural reform, and the enhancement of financing for small and medium-sized enterprises.

In September Governor Makúch attended the informal ECOFIN Council meeting in Milan. The meeting focused on international cooperation in the area of financial services and on the SSM.

### 7.2 COOPERATION WITH INTERNATIONAL INSTITUTIONS

#### INTERNATIONAL MONETARY FUND AND WORLD BANK

The main events of the IMF and the World Bank in 2014 were the IMF/WB Spring Meeting in April and Annual Meeting in October, both held in Washington DC.

Slovakia's commitments to the IMF increased in 2014. As at 31 December 2014 the country's commitments to the IMF under the Financial Transactions Plan (FTP) and bilateral loan agreement were, respectively, SDR 142.2 million and SDR 27.8 million. In September 2014, after consultation between Slovakia and the IMF, the 2013 bilateral loan agreement between the two sides was extended to cover the period up to 2016.

In June 2014 the IMF conducted its annual Article IV Consultation Mission to Slovakia, in

<sup>24</sup> Working Paper 1639: *The distribution of debt across euro area countries: the role of individual characteristics, institutions and credit conditions.*

<sup>25</sup> Working Paper 1634: *Micro-based evidence of EU competitiveness: the CompNet database.*

<sup>26</sup> Occasional Paper 136: *Report on financial stability challenges in EU candidate and potential candidate countries.*

<sup>27</sup> *Economic Letters; Journal of Risk and Insurance; Czech Journal of Economics and Finance.*



accordance with Article IV of the IMF's Articles of Agreement. In its concluding statement, the IMF Mission said that the recovery in domestic demand would support stronger and more balanced growth and that identifying growth-friendly fiscal measures and improving the business environment would help reduce high unemployment and regional disparities. Consultations also took place during an IMF Staff Visit to Slovakia in December 2014.

#### **ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT**

For the OECD's Economic Survey of the Slovak Republic in 2014, OECD staff held meetings with staff members of NBS's Economic and Monetary Analyses Department concerning the country's macroeconomic situation, and also with members of the Macroeconomic Policy Department, to evaluate the health of the banking sector in Slovakia. The recommendations and conclusions of the Survey were presented in Bratislava on 5 November.

#### **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT**

In May 2014 the Board of Governors of the EBRD held its 23rd Annual Meeting in the Polish capital, Warsaw. With regard to EBRD investment in the Southern and Eastern Mediterranean (SEMED) region, the Annual Meeting approved a net income allocation of €500 million in favour of the EBRD SEMED Investment Special Fund. It was also decided to begin investing in Cyprus (making it a recipient country) and to approve Libya as a member of the EBRD.

#### **BANK FOR INTERNATIONAL SETTLEMENTS**

The NBS Governor attends the regular BIS meetings of central bank governors. In 2014 there were five of these All Governors' Meetings, held in Basel, Switzerland, and among the main issues discussed were: increased capital requirements, the maintenance of high capital ratios; analysis of domestic and global factors affecting inflation; virtual currencies and global demographic developments and their implications for central banking; and profitability and profit trends in central banking and their impact on central banks' policy.

The Governor also attended the 84th Annual General Meeting of the BIS, in Basel. The main

items on the agenda were the approval of the BIS's financial results and the distribution of its profit and dividends.

### **7.3 INTERNATIONAL ACTIVITIES IN THE FIELD OF SUPERVISION**

#### **EUROPEAN SYSTEMIC RISK BOARD**

In 2014 the meetings of the ESRB's General Board (attended by NBS representatives), dealt not only with systemic risk factors and intensity, but also with several other issues: (i) the operationalising of macroprudential policy, which involves in particular the classification of macroprudential policy instruments in accordance with the ESRB's procedural framework; (ii) cooperation with the EIOPA and the EBA in the design of stress test scenarios; and (iii) ESRB recommendations. In June the General Board approved a Recommendation on guidance to EU Member States for setting countercyclical buffer rates, and it also discussed the implementation of Recommendation ESRB/2011/3 on the macro-prudential mandate of national authorities. Slovakia has been assessed to be 'fully compliant' with this Recommendation.

#### **EUROPEAN BANKING AUTHORITY**

As a member of the EBA, NBS helps to ensure the fulfilment of tasks laid down by the EBA Management Board. In 2014 the cooperation between NBS and the EBA, conducted through EBA committees, centred on the drafting of technical and regulatory standards in accordance with the EU's Capital Requirements Regulation and Directive (CRR / CRD IV). NBS was actively involved in this agenda at all levels of competence, from working groups to the highest approval bodies. NBS was involved in the drafting of new technical standards on supervisory reporting for banks and investment firms. It was also engaged in drafting technical and regulatory standards for the implementation of specific articles of the CRR, and in elaborating guidelines on, and interpretations of, the two basic acts, the CRR and CRD IV.

#### **EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY**

2014 was an important year for the EIOPA, mainly because work progressed on preparing the Solvency II Directive for transposition into the



laws of EU Member States. This Directive will transform the regulation of the insurance sector in Slovakia to an extent not seen in recent decades. Close cooperation with the EIOPA is essential, given its responsibility for drafting implementing acts and issuing guidelines that will be critical to how the new Solvency II regime is interpreted and applied in practice. In this connection, delegated acts were issued in late 2014 in order to specify further details about key areas of the Solvency II Directive, in particular the valuation of assets and liabilities (including technical provisions), the calculation of capital and minimum capital requirements for ensuring solvency, the approval of internal models, own funds, disclosure, governance, and group solvency. In addition, the EIOPA adopted implementing technical standards, issued in the form of a regulation. A further part of NBS's work within EIOPA was the preparation of guidelines for this area.

In the field of pensions, the EIOPA continued in 2014 to work on a project for developing an EU-single market in personal pension products.

As a supervisory authority, NBS is represented on EIOPA's main decision-making body, the Board of Supervisors, and it fully engages in the tasks related to this position. In 2014 it contributed to the Board's discussions and sought to create synergy between smaller countries on matters of particular importance for this group.

#### EUROPEAN SECURITIES AND MARKETS AUTHORITY

Within the forum of the ESMA, staff members of the NBS Financial Market Supervision Unit continued in 2014 to participate in a wide range of regulatory activities undertaken by this EU supervisory authority.

The publication of the MiFID II and MAD II Directives, as well as the MiFIR and MAR Regulations, had a significant impact on the focus of the work performed by different ESMA groups, since these texts contain provisions that require the subsequent production of technical standards and/or delegated acts.

The Review Panel is tasked with supporting convergence in the supervisory practice of national competent authorities and consistency in the ex-

ercise of supervision. In 2014 it was working on the basis of a new methodology, which among other things provides that for the assessment of a particular aspect of supervisory practice, the assessment group may conduct on-site visits to national competent authorities (NCAs). Last year NBS was not among the NCAs selected to receive such an on-site visit.

In 2014 NBS took part in three assessments of the harmonisation of NCA approaches and procedures, performed with regard to the relevant EU Directives and related implementing standards as well as to the application of particular ESMA guidelines. The assessments concerned the implementation of ESMA guidelines on automated trading and on the supervision of investment service providers with respect to MiFID requirement compliance as regards rules for the provision of clear, transparent and non-misleading information and the execution of orders in the best interests of the client.

## 7.4 TECHNICAL COOPERATION

Národná banka Slovenska has for several years been involved in ESCB/Eurosystem cooperation with central banks of EU candidate and potential candidate countries. An ECB-coordinated technical cooperation programme with central banks of the Western Balkan region was launched in early 2014, its purpose being to strengthen macroeconomic and financial stability in the region by supporting the central banks' institutional and operational capacities. The programme should include analysis of shortcomings in the current institutional and operational frameworks of the central banks of Albania and Montenegro, identification of their current needs, and recommendations on how the banks can get closer to, or meet ESCB benchmarks. The programme involves nine partner central banks in the Eurosystem/ESCB, including the ECB and Národná banka Slovenska. For its part, NBS is providing technical assistance to the Bank of Albania and the Central Bank of Montenegro.

In 2014 NBS continued its provision of technical assistance to the National Bank of Ukraine, and as part of this programme it hosted a specialist event in Bratislava.