



## 7 EUROPEAN AFFAIRS AND INTERNATIONAL COOPERATION

### 7.1 EUROPEAN AFFAIRS

#### EUROPEAN UNION

From the perspective of Národná banka Slovenska, the most important EU event in the first half of 2018 was the informal meeting of the ECOFIN Council held in Sofia (Bulgaria). Attended by the NBS Governor, Jozef Makúch, and the NBS Deputy Governor, Ľudovít Ódor, the meeting focused mainly on convergence policy inside and outside the euro area as well as on the further reduction of fragmentation within the capital markets union.

In September Governor Makúch and the Executive Director of the NSB Financial Market Supervision Unit, Vladimír Dvořáček, attended the informal ECOFIN Council meeting in Vienna. The participating central bank governors and finance ministers discussed mainly the financial stability implications of increasing interest rates and the economic potential and risk of crypto assets.

### 7.2 COOPERATION WITH INTERNATIONAL INSTITUTIONS

#### INTERNATIONAL MONETARY FUND (IMF) / WORLD BANK GROUP (WBG)

The most important events of the Bretton Woods Institutions in 2018 were the Spring and Annual Meetings of the IMF/WBG, held respectively in Washington DC and Bali (Indonesia). The Spring Meetings in April included the presentation of the latest editions of the IMF's multilateral surveillance documents: the World Economic Outlook (WEO) and the Global Financial Stability Report (GFSR). Other issues under discussion included ways of broadening the use of special drawing rights and changes in the Financial Sector Assessment Program (FSAP).

At the Annual Meetings in October, the IMF's Board of Governors, including the NBS Governor as the Governor for Slovakia, discussed the IMF's

Annual Report and financial statements as well as the autumn editions of the WEO and GFSR. Delegates were briefed on the third Progress Report on the 15th General Review of Quotas and held discussions on ways to streamline the IMF's operation and on the review of the IMF staff remuneration system. They also discussed the opportunities and challenges presented by the penetration of technological innovations and financial services (Fintech).

In May 2018 an IMF staff team visited NBS as part of the bilateral discussions that the IMF holds with Slovakia under Article IV of the IMF's Articles of Agreement. The staff team spoke with NBS representatives about Slovakia's macroeconomic developments and outlook, about its balance of payments performance, about the state of Slovakia's financial sector, and about the current situation regarding domestic macroprudential policy. According to the IMF staff, the Slovak banking sector is sound, and the macroprudential policy measures taken by NBS are correctly aimed at slowing down elevated credit growth and at building needed buffers.

#### ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

An OECD 'policy mission' to Slovakia took place in October 2018. As part of the mission, the OECD staff team visited Národná banka Slovenska, where it met with Deputy Governor NBS Ľudovít Ódor and other representatives of the bank. The OECD visitors were informed about current macroeconomic indicators in Slovakia and about the situation in the domestic financial market.

NBS representatives regularly participate in meetings of OECD committees and working groups, as well as in meetings of the Coordination Committee established at the Slovak Ministry of Foreign and European Affairs for the purpose of overseeing Slovakia's activities in the OECD and in meetings of the National Contact Point established at the Slovak Economy Ministry for the OECD Guidelines on Multinational Enterprises.



### **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)**

The 27th Annual Meeting of the EBRD's Board of Governors was held in May 2018, with NBS represented at the event by Vladimír Martvoň, Director of the NBS Governor's Office. The gathering took place under the central theme "Energising Economies".

### **BANK FOR INTERNATIONAL SETTLEMENTS (BIS)**

At its 88th Annual General Meeting (AGM) held in Basel in June 2018, the BIS approved its 2017/18 financial results, 2017/18 Annual Report, and 2018 Annual Economic Report. NBS was represented at the event by Governor Jozef Makúch and Deputy Governor Ľudovít Ódor. The attending central bank governors and representatives also discussed the credit implications of the global financial crisis.

The AGM was preceded by the 17th BIS Annual Conference, entitled "Ten years after the Great Financial Crisis: what has changed?", which looked at the impact of the global financial crisis on the international banking scene. The NBS representatives at the conference were Governor Makúch and Deputy Governor Ódor.

The NBS Governor also attends the BIS's bi-monthly All Governors' Meeting, which discusses current issues in the central banking sector. In 2018 these meetings addressed issues such as the future use of the Legal Entity Identifier, risks related to banknote counterfeiting, the use of artificial intelligence in financial services, risks arising from property market cycles, and the latest changes in the Basel III rules.

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

### **EUROPEAN SYSTEMIC RISK BOARD (ESRB)**

In 2018 there were four regular meetings of the ESRB General Board, whose members include the NBS Governor, Jozef Makúch, and the Executive Director of the NBS Financial Market Supervision Unit, Vladimír Dvořáček.

Each meeting of the General Board evaluated the risks to the stability of the EU financial system, which remained elevated throughout 2018 amid significant political uncertainties globally

and within the EU. Among the other matters discussed at the meetings were the following: the adverse scenario prepared for the 2018 EU-wide insurance stress test by EIOPA; macroprudential approaches to prevent the emergence of system-wide non-performing loan problems; the monitoring of developments in EU derivatives markets; financial stability risks that could stem from cyber incidents; and key concepts towards a common framework for macroprudential stance.

The General Board also discussed and subsequently published several key documents in 2018, including the following: the "Review of Macroprudential Policy in the EU in 2017", which presents macroprudential measures taken by EU Member States; the third "EU Shadow Banking Monitor", the main purpose of which is to identify potential risks to financial stability; and the "Report on vulnerabilities in the EU commercial real estate sector", which assesses trends and risks arising from the commercial real estate market (doing so on the basis of both cross-country comparison and country-specific analyses).

The General Board also considered the need to establish a broader macroprudential toolkit for insurance. The implementation of the Solvency II regime has given rise to several questions concerning the relationship between Solvency II and macroprudential policy. For this reason, both the ESRB and EIOPA have established working groups to examine systemic risk in the insurance sector and the macroprudential instruments available under Solvency II and to propose possible additional instruments to be included in the upcoming Solvency II review. A report on this issue was published in November 2018.

### **EUROPEAN BANKING AUTHORITY (EBA)**

As a member of the EBA, Národná banka Slovenska helps ensure the performance of tasks resulting from decisions of the EBA Board of Supervisors. NBS is represented at the EBA by the Executive Director of the Financial Market Supervision Unit, Vladimír Dvořáček, and by the General Director of the Banking and Payment Services Supervision Department, Tatiana Dubinová. The FMS Unit has for many years participated in the work of EBA committees and working groups. It submits comments on EBA documents concerning the regulation and functioning of the financial market in regard to banking, consumer



protection, and anti-money laundering (including guidelines and opinions issued by the Joint Committee of the European Supervisory Authorities under EU anti-money laundering and countering the financing of terrorism legislation).

In 2018 NBS's ongoing cooperation with the EBA focused on the drafting of implementing technical standards (ITSs) and regulatory technical standards (RTSs) required under the EU's Capital Requirements Regulation and Directive (CRR/CRD IV) and related legal acts. The implementing and regulatory technical standards are aimed at meeting new requirements for an enhanced system of supervision over banks and investment firms, as well as at implementing certain specific CRR/CRD IV articles.

NBS cooperates with the EBA at all levels of competence, from working groups to the highest approval bodies.

#### EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY (EIOPA)

In 2018 EIOPA continued pursuing its objectives to improve consumer protection, to ensure an effective and consistent level of regulation and of cross-country cooperation through national supervisory authorities, and, in particular, to ensure regulations translate into harmonised supervisory practice. NBS is represented at EIOPA by the Executive Director of the Financial Consumer Protection and Regulation Division, Júlia Čillíková, while the FMS Unit has a long history of supporting EIOPA activities through the involvement of its staff members in various EIOPA Working Groups.

NBS staff members are assigned to EIOPA Working Groups of a permanent nature in the areas of both insurance and occupational pensions. This cooperation is aimed mainly at coordinating activities, ensuring a uniform approach and common strategy in the areas mentioned, and facilitating the exchange of information and experience between representatives of EIOPA members.

#### EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA)

NBS staff have for many years been participating in ESMA activities. The bank is represented at ESMA by the Executive Director of the FMS Unit, Vladimír Dvořáček, and members of the FMS Unit staff participate actively in ESMA working groups. ESMA's tasks include, among other things, supporting improvements in the internal

market's functioning (including by contributing to a sound, effective and consistent level of regulation and supervision), promoting the integrity, transparency, efficiency and well-functioning of financial markets, and enhancing consumer protection in the capital market. There are NBS staff members on ESMA Standing Committees and in ESMA working groups. In order to coordinate activities and ensure a uniform approach and common strategy in key areas of interest, based on specific financial market conditions and the exchange of information between relevant NBS representatives in individual ESMA working groups, the FMS Unit in 2018 organised regular coordination meetings of NBS representatives in ESMA bodies and ESMA working groups.

In 2018 ESMA continued to implement the document entitled "ESMA Strategic Orientation 2016-2020", whose main purpose is to promote supervisory convergence across the EU. ESMA is also devoting much attention to issues related to Brexit, so as to minimise the impact of Brexit on the European capital market.

### 7.4 TECHNICAL COOPERATION WITH EXTERNAL INSTITUTIONS

In 2018 Národná banka Slovenska continued its long-standing technical cooperation programmes with the central banks of Belarus and Ukraine. For representatives of the National Bank of the Republic of Belarus (NBRB), NBS organised a seminar on the main accounting principles applied by non-EU central banks in accordance with the standards applied by EU central banks. For its part, the NBRB invited NBS staff members to three seminars, on accounting, payment systems, and security systems. As for the cooperation with the National Bank of Ukraine (NBU), NBS organised four seminars for NBU representatives, on the topics of communication, financial stability, human resources, and investment metals. Also in 2018, NBS provided technical cooperation to the North Macedonian central bank by holding a course that instructed representatives of the Macedonian bank on the NBS building management system.

As part of an EU-funded project, staff members of the NBS Financial Consumer Protection Department were engaged in technical cooperation with the National Bank of Serbia in 2018.