B 2

Financial stability and financial market supervision

397
completed proceedings

Preparation of new pan-European pension product

1%
countercyclical capital buffer

21
respondents to a survey of the crypto-asset market

50
Innovation Hub requests addressed

B 2

Financial stability and financial market supervision

Despite the coronavirus (COVID-19) pandemic, the Slovak financial market had a stable year in 2020, thanks in part to measures taken by Národná banka Slovenska. Through the exercise of its supervisory function, the Bank is actively helping financial institutions get through the difficult pandemic crisis[5]

2.1 Banking sector

European supervisory authorities, NBS, and the banking sector itself responded to COVID-19 pandemic

In response to the evolving COVID-19 pandemic, banks had to take various measures to mitigate the impact of the crisis. Early on in the pandemic, it was vital to ensure the operationality of bank branches, cash transportation, and the regular refilling of ATMs. Important changes for bank customers included an increase in the limit on contactless card payments, from €20 to €50, and the significant strengthening of online banking functionalities, information system resilience and transmission link performance.

Because of the unclear evolution of the pandemic crisis and its impact on the banking sector's stability, Národná banka Slovenska adopted important measures. These included providing the sector with capital and liquidity relief, setting requirements for profit and capital distribution, and facilitating loan moratoria. As a result, for example, banks were permitted to meet Pillar 2 requirements using capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital. And in the area of liquidity, they were also, where justified, exempted temporarily from full compliance with the liquidity coverage ratio (LCR).

[5] Further details are provided in the Report on the Activities of the Financial Market Supervision Unit for 2020, published on the NBS website (in Slovak only).

In response to an increasing number of bank customers applying for loan moratoria, the European Banking Authority (EBA) published a series of Guidelines during 2020, beginning in March. The Guidelines concerned legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis. At the national level in Slovakia, the EBA Guidelines were implemented through the "Lex Corona" legislation, which established a legislative framework to facilitate loan moratoria for banks' borrowers.

Also in 2020, banks' deadlines for compliance with supervisory measures were extended by six months. The purpose of this step was to free up capacities needed for bolstering priority functions. At the same time, the Bank revised its schedule for future on-site inspections.

The Bank's supervisory priorities did not change in 2020, while activities were focused on the pandemic crisis

The priorities of the Single Supervisory Mechanism for 2020 centred mainly on the recovery of banks' balance sheets and the strengthening of banks' resilience. The COVID-19 pandemic necessitated an operational change in the Bank's supervisory activity. The focus of the Bank's supervisory activity in 2020 was on assessing banks' internal governance, in particular banks' ability to work under a special regime. This included assessing their preparedness for having employees work from home and the flexibility and operational efficiency of their management as the pandemic crisis evolved. The on-site inspections scheduled for 2020 were focused on the following matters: internal governance, information technology, and the sufficiency of provisioning (IFRS 9).

In 2020 NBS banking supervision staff conducted on-site inspection remotely. A total of seven on-site inspections took place during the course of the year, including two at significant banks, two at less significant banks established in Slovakia, and three AML inspections. In addition, NBS inspectors participated in four investigations of internal models used for calculating the capital requirement for credit risk. Also in 2020, NBS staff took part in six inspections conducted by international teams and conducted 27 AML-related off-site inspections, one for each bank in the sector.

In March 2020 the Bank created a dedicated team responsible for monitoring banks' situation in the light of the COVID-19 pandemic. Supervisory review and evaluation focused mainly on the following areas of bank assessment: business model; internal management, credit risk, liquidity risk, IT risk, and capital adequacy.

Banks' profits dropped significantly in the first half of the year, before stabilising thereafter – largely owing to lower provisioning needs and the abolition of the bank levy. The banking sector's aggregate profit for 2020 was approximately one-quarter lower than its profit for the previous year. Besides closely monitoring credit risk indicators, the Bank's credit risk evaluation team addressed the issues of loan moratoria and the uptake of public loan guarantee schemes. In addition to granting loan moratoria in accordance with the Lex Corona legislation, banks also provided case-by-case credit relief to their customers, especially corporate customers.

In 2020 changes in profitability, loan loss provisioning and credit risk in the loan portfolio had a notable impact on bank capital positions. The banking sector's total capital ratio improved, not least because banks responded responsibly to an NBS Recommendation on capital and profit distributions and strengthened their capitalisation, for example by not paying dividends and by increasing the share of Tier 1 capital in total capital.

Annual assessment confirmed banks' stability

NBS banking supervision took a pragmatic approach to implementing the annual Supervisory Review and Evaluation Process (SREP) in 2020. In response to the situation caused by the pandemic, the Bank, acting in step with the ECB, adopted a series of measures aimed at helping the banking sector deal with the consequences of the crisis. The banking supervision focused on having banks demonstrate their capital and liquidity management processes (including internal decision-making processes), their ability to promptly update plans in the areas of capital, liquidity and funding sources, and their stress testing procedures. The results of the pragmatic SREP were discussed with the banks via supervisory dialogue.

Both the close monitoring of banks during the pandemic crisis and the SREP showed that Slovak banks are stable and that they are able to respond quickly to an evolving situation while focusing primarily on maintaining the full provision of customer services.

2.2 Insurance and pension fund sectors

To help mitigate the fallout from the COVID-19 pandemic, the Bank adopted a series of administrative measures to make it easier for supervised entities to perform their activities. It was essential to increase communication between the Bank and insurers, pension fund management companies (PFMCs) and supplementary pension management companies (SPMCs) operating in Slovakia and also to establish "extra monitoring and reporting" for monitoring the financial situation of these entities.

2.2.1 Insurance sector

During the pandemic crisis, the Bank prompted insurers to take significant steps to ensure their stability

Through recommendations issued in response to the pandemic situation, the Bank called on insurers to review all areas of their activity in order to maintain financial market stability and their ability to meet obligations. Insurers reviewed the payment and size of dividends for 2019 and the impact of their action in this area on the Solvency Capital Requirement (SCR) coverage ratio. In regard to their capital planning, the Bank asked insurers to provide it with details of their ability to increase capital.

In 2020 the Bank conducted a survey of insurers to learn more about the pandemic's impact on the insurance sector and about what steps insurers had taken in respect of their employees and staff to ensure business continuity. The questions concerned mainly business continuity plans and contact with customers at insurance offices. The priority was to ensure compliance with measures and recommendations aimed at protecting public health during the pandemic. These measures also affected the handling of insurance claims and the formulation of insurers' back-up plans in case of a deterioration of the overall situation. On the whole, insurers in Slovakia are covering pandemic-related insurance costs in their productions.

As part of its cooperation with EIOPA, the Bank in 2020 focused much of its information gathering activity on monitoring the effects of the pandemic crisis on the Slovak insurance market.

Monitoring of insurers' liquidity showed sufficient liquid resources

At the initiative of EIOPA, the Bank monitored liquidity risks in the insurance sector in 2020. The criteria considered when assessing the documentation received from insurers included, for example, the extent to which insurance claim payment estimates were realistic and whether cash reserves were adequate. According to the Bank's assessments, insurers had sufficient liquidity.

The Bank also assessed the impact of the crisis on insurers' key financial indicators and solvency, comparing them with levels planned as at the end of 2020. It did so in order to assess the potential impact of the pandemic crisis on the financial situation of insurers. The crisis's estimated impact on the year-end indicators were updated on a quarterly basis.

The assessment of insurers did not reveal any risk of insolvency or of a substantial deterioration in the solvency position of insurers in the Slovak market. None of the supervised insurers reported a risk of their SCR ratio falling below 100%.

The Solvency II review will not significantly change the capital position of insurers in Slovakia

According to EIOPA's opinion on the 2020 review of the Solvency II regulatory regime for insurers, the regime is working well and no fundamental changes are needed at this point in time. A risk-based approach to assess and mitigate risks is applied, and the insurance industry has better aligned capital to the risks it runs. Governance models and their risk management capacity have been significantly strengthened. At the same time, the templates for supervisory reporting have been harmonised.

Slovak insurers and Slovakia itself may, however, be greatly affected by EIOPA's proposed introduction of a European network of national insurance guarantee schemes or alternative mechanisms that should meet a minimum set of harmonised features. If the regulatory framework is changed in this way, it will mean an overhaul of the status quo.

2.2.2 Pension fund sector

The COVID-19 pandemic has necessitated the adoption of effective measures

Following the onset of the pandemic crisis in 2020, the Bank stepped up its communication with PFMCs and SPMCs.[6] Its main purpose in doing so was to check the companies' compliance with all their obligations, so as to ensure the continuity of key operational activities and the protection of the long-term interests of savers, participants and beneficiaries. In 2020 the Bank was regularly monitoring and analysing the capacity of the second- and third-pillar pension fund managers to cope with pandemic-related losses without risking non-compliance with capital and liquidity requirements, which could have an adverse impact on future pensions.

The Bank called on all pension fund managers to engage in open and transparent communication with their customers, with EIOPA also having issued a statement and recommendations to similar effect. In view of the special pandemic regime and the exceptional restrictions on face-to-face meetings, the Bank recommended pension fund managers to communicate with their customers using digital and online instruments and to keep the information on their websites regularly updated.

For PFMCs, the Bank in 2020 started implementing a special reporting framework focused mainly on risk management and asset management. It did so in the light of the pandemic's significant impact on financial markets and, by extension, on the assets under management in the pension system's second pillar.

In 2020 the second pillar and third pillar were subject to separate monitoring for their sensitivity to negative financial market developments. The Bank assessed in particular the risk of PFMCs having to replenish the assets of guaranteed pension funds. On the liquidity front, no negative impact was recorded.

[6] The second pillar of the Slovak pension system – the old-age pension scheme – is a defined contribution scheme operated by pension fund management companies (PFMCs); enrolment is voluntary but savers may not leave the scheme after enrolment. The third pillar – the supplementary pension scheme – is a voluntary defined contribution scheme operated by supplementary pension management companies (SPMCs).

After a review of their implementation in the third pillar, new information documents were adopted in the second pillar with effect from 1 January 2021

In 2020 the Bank remained actively involved in the Slovak Ministry of Labour, Social Affairs and Family's plan to change the law in respect of key information documents used in the old-age pension scheme (second pillar) in order to ensure that savers in the scheme are better informed.

The Bank was also involved in the introduction of a completely new type of key information to be provided by PFMCs to savers before concluding an old-age pension scheme agreement with them. This key information should, above all, facilitate communication about the risks related to investing in the given pension fund and should then, taking that risk into account, provide clear and comparable information on the potential benefits and costs of investing in that pension fund and therefore on what distinguishes it from other funds.

With the aim of providing second-pillar savers with comprehensive and personalised information about the amount of their pension savings and a projection of their future path, the Bank in 2020 prepared new templates of pension account statements.

A new form of pension saving is coming, portable throughout the EU

The pan-European personal pension product (PEPP) will be a voluntary pension product, complementary to public and occupational pensions. Its EU-wide portability will make it particularly suitable for EU citizens who move and work between different EU countries. In 2020 the Bank was actively involved in the production of EIOPA's final draft delegated acts for the design and delivery of the PEPP. Its task was to draft the national legislation that will be necessary for introducing this pension product to the Slovak market.

2.3 Capital market and financial intermediation sector

2.3.1 Response to the impacts of the pandemic crisis

The Bank issued guidance on the performance of financial intermediation

In 2020 Národná banka Slovenska responded to new risks in the financial market. The pandemic crisis affected the activity of supervised entities and their customers, as well as the Bank's supervisory activity. The evolving situation necessitated a prompt response, including in the form of legislative changes and guidelines.

In the area of financial intermediation, one of the first challenges was to ensure that professional examinations could continue to take place. Under the then in force NBS Decree governing them, these examinations had to be taken in person; hence they could not be conducted while lockdown measures were in place. This situation threatened the continuity of compliance with the professional examination requirements laid down in the Financial Intermediation Act. Through an amendment to the Decree, it was soon possible to sit the examinations online.

In May 2020 the Bank issued a Methodical Guideline on the performance of financial intermediation, to address the increase in demand for the remote performance of financial intermediation. This Methodological Guideline also gives an overview of the remote customer identification obligation under AML legislation, the application of Act No 266/2005 on the protection of consumers in respect of the distance marketing of financial services, and the civil law implications for the validity of contracts concluded at a distance. Considering the state of technological developments and digitalisation, it is assumed that the Methodological Guideline will in future continue to benefit entities performing financial intermediation.

The Bank reviewed the business continuity of capital market participants during the pandemic

The Bank reviewed and assessed the functioning of capital market participants under its supervision during the severe restriction of their normal functioning. The purpose of this off-site supervision of investment firms, asset management companies and the Bratislava Stock Exchange (BSSE) was to ascertain whether they had adequate procedures in place and were able, during the pandemic, to continue providing customer services with due professional care.

Increased liquidity monitoring of investment funds confirmed their stability

In cooperation with the Slovak Association of Asset Management Companies (SASS), the Bank in 2020 introduced intensive weekly monitoring of investment funds' liquidity. Following the global pandemic-related slump in financial markets, a surge in investment fund outflows such as that seen during the 2008–09 crisis could have been expected.

From a financial stability perspective, it was positive that investors in domestic investment funds did not panic and moved hardly any of their money out of the sector. Asset management companies therefore did not need to adopt liquidity-related measures, and in the few cases where such measures were adopted, they were of an entirely precautionary nature.

The Bank also reviewed the pandemic's impact on the disclosure of issuers' regulated information

In 2020 the Bank granted several issuers whose securities are admitted to trading on the BSSE an extension to the deadline for publishing their annual financial report for 2019. Under the Lex Corona legislation, the issuers were entitled to request such extension.

NBS supervision also focused on reviewing the disclosure of relevant information in issuers' half-yearly and annual financial reports. In March 2020 ESMA issued a Public Statement in which it acknowledged the difficulties encountered by issuers in preparing their annual report. At the same time, however, ESMA underlined the need for issuers to keep investors properly informed within a reasonable time.

2.3.2 Investment in corporate bonds

Investment in corporate bonds became one of the most important issues in 2020 and a frequent subject of discussion among both the lay and professional public. Corporate bonds are bonds issued by non-financial corporations, and they can be invested in through investment firms and financial intermediaries, including banks.

In 2020, for the second year running, the Bank analysed developments in corporate bond trading for customers, whether natural or legal persons. Compared with the 2019 analysis, investment in corporate bonds showed a falling trend, whereas the total volume of customer assets managed by investment firms increased by one-quarter.

During 2020 the Bank conducted an in-depth review of the distribution of corporate bonds in selected entities in the capital market and the financial intermediation sector. The aim was to find out how supervised entities are proceeding with the distribution of corporate bonds within individual distribution networks, to assess procedures for checking customers' experience and knowledge and for identifying target markets, and to assess the setting-up of internal procedures and regulations of distribution networks.

2.3.3 Other supervisory activity

Change in coverage limits on liability insurance in the (re) insurance sector

Independent financial agents and financial advisers are liable for any damage they cause in the performance of financial intermediation or the provision of financial advisory services. In June 2020 the level of insurance coverage limits for liability insurance in the (re)insurance sector were changed.

In the second half of 2020 the Bank reviewed submitted insurance contracts of independent financial agents and financial advisers for compliance with legislative requirements for increased insurance coverage limits.

The Bank stepped up supervision of public offerings of securities

When making a public offering of securities, issuers are required to publish a securities prospectus approved by Národná banka Slovenska. One of the grounds for exemption from this obligation is if the public offering is addressed to fewer than 150 natural or legal persons. Issuers do not sufficiently realise that the number of investors who buy the securities in question is less important than the number of entities notified about the offering. By publishing information about their securities offerings on their websites, issuers are in effect addressing their offerings to the general public.

In its regular monitoring of various issuers' websites, the Bank has found a number of breaches of provisions of the EU's Prospectus Regulation. To address this issue, the Bank drafted a Methodological Regulation in 2020.

2.4 Payment services, fintech and financial innovation

Payment services are becoming more sophisticated and secure

In 2020 the Bank significantly stepped up its communication with potential applicants for payment services licences, contacting them in person, by post and online. The result was a sizeable increase in demand for PSD2 licences in the fourth quarter.

There was also intensive communication with banks about the new opportunities in payments and services which PSD2 has brought to the market.

Another significant task for the Bank in 2020 was to monitor the introduction of strong customer authentication requirements for e-commerce payments, i.e. online card payments.

The Bank is actively developing a financial innovation ecosystem in Slovakia

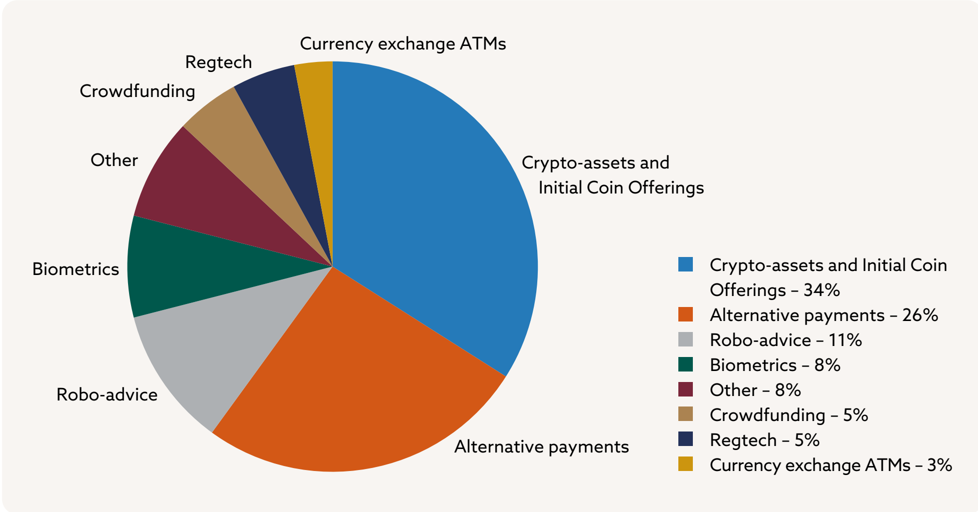
By the end of 2020 more than 50 requests had been addressed through the Bank's Innovation Hub, launched in 2019. Most of them concerned crypto-assets, the provision of payment services, and the provision of automated online investment advice ("robo-advice").

In cooperation with Slovakia's Ministry of Finance (MF SR), the Bank in 2020 analysed the benefits and potential use of the regulatory sandbox concept as one of the tools for supporting the innovation economy system. The sandbox denotes an environment in which innovative financial products, services and other business models can be tested in accordance with a testing plan approved by the supervisory authority.

As part of a public consultation carried out in summer 2020, the Bank and the MF SR's Centre for Financial Innovation (CFI) presented their concept for a regulatory sandbox as well as alternatives to it. The 20 respondents to the consultation exercise expressed clear support for the establishment of a regulatory sandbox and largely agreed with the Bank's proposal. In December 2020 the Bank Board decided to support innovation development in the Slovak financial market by building cooperation with business accelerators in the financial market and by establishing a regulatory sandbox.

Chart 26: Innovation Hub requests broken down by subject matter

Source: NBS.



Note: Data are for the first twelve months of the Innovation Hub's operation, i.e. from 1 April 2019 to 31 March 2020.

Crypto-assets are gradually becoming part of the innovation ecosystem. The Bank's supervision function does not at present extend to the crypto-asset market. On the other hand, based on a regulation proposal published by the European Commission in 2020, crypto-asset business is expected to become a regulated and supervised activity. As regards discussions about the establishment of a European regulatory framework in this area, a key issue for the Bank is to increase its knowledge about the domestic crypto-asset market.

By means of a survey it conducted in 2020, the Bank mapped providers of crypto-assets and crypto-asset-related services operating in Slovakia. A total of 21 firms responded to the survey. According to the results, the Slovak market in crypto-assets is both young and very varied. As many as 70% of the respondents had been established within the previous three years, and only 25% reported revenues of more than €1 million for 2019.

Further developments in registers intended for supervisory purposes and for the general public

The new version of the Register of Bank Loans and Guarantees (RBUZ), operative since 2018, was expanded in 2020 to include additional important functionalities in response both to legislative requirements and the needs of the banking sector. Most notably, the information system's credit data collection method was modified in the light of government measures to facilitate loan moratoria during the pandemic crisis. This reporting modification allowed the establishment of the necessary data for analysing the pandemic's impact on the Slovak economy, for reporting to the ECB, for off-site supervision, and for the proper assessment of customer risk from the point of view of the banking sector.

Through the Register of Entities, a part of the RBUZ register, data quality is continuously improved. In 2020 the Register was upgraded with a set of new validation rules to ensure the correct reporting of entities' head offices and parent undertakings.

Experience of using the Register of Financial Agents and Financial Advisers (REGFAP) has shown that its data quality needs to be improved. To that end, new reports allowing analyses of trends in different sectors were introduced in 2020, as was a new functionality of the report collection system.

2.5 Cross-cutting themes

2.5.1 Macroprudential policy response to the pandemic crisis

Despite the domestic economy being hit hard by the pandemic crisis, the financial sector remained stable

A response to the ongoing pandemic crisis in 2020 was also seen in the Bank's Financial Stability Reports. Efforts to develop an analytical framework for monitoring the pandemic's impact on financial stability had to be stepped up.

The new approach was needed, in particular, to take account of the numerous pandemic-related moratoria on loan payments, so as to be able to estimate what proportion of the loans under moratoria might default once the moratoria have expired. The impact of the crisis on households' debt servicing capacity was analysed on a regular basis, as was the mitigating effect of the supporting measures adopted up to that point. Analyses of the crisis's impact on the corporate sector started to use granular firm-level data on the financial situation of non-financial corporations, thereby allowing an estimate to be made of the potential increase in firms at risk of insolvency as well as of firms' additional liquidity needs. The results were used to estimate the overall impact of the crisis on banks' profitability and total capital ratios. These estimates also provided important bases for discussions on the setting of macroprudential instruments and on the adoption of a recommendation to restrict dividend payments.[7]

[7] Recommendation No 1/2020 of Národná banka Slovenska of 28 July 2020 on capital and profit distributions by banks and insurers during the COVID-19 pandemic.

The Bank reduced the countercyclical capital buffer (CCyB) rate

As regards the business cycle, 2020 was a year in which good times turned into bad times. In the period 2016–2019, the Bank's decisions on the CCyB rate resulted in it increasing up to 2%, one of the highest levels in the EU. The domestic banking sector went into the crisis with sound capital reserves, which gave the Bank the leeway to reduce the CCyB rate twice during 2020.

As a result of the CCyB rate being cut to 1.5% in March and then to 1.0% in July, capital amounting to almost €370 million was freed up in the banking sector. Banks were able to use the additional capital for loan loss provisioning, without affecting their lending capacity. The Bank stands ready to further reduce the CCyB rate if necessary.

No change in regulatory limits on credit standards

The Bank in 2020 decided not to ease regulatory lending limits yet. The importance of preparing for bad times is evident in the setting of regulatory lending limits. Because of the series of tightenings of different lending parameters in recent years, banks and households have been better prepared to deal with the economic effects of the pandemic. When easing conditions, correct timing is crucial, as the experience of other countries has shown.

As regards loans to households, an important step in 2020 was the launch of a detailed and regular survey of households' financial situation and their debt servicing capacity.[8] With more granular information from this area, the Bank can be more precise in its monitoring of households' situation and in taking decisions about the setting of macroprudential policy in respect of household lending.

2.5.2 Resolution

In 2020 the Bank continued its active involvement in improving the preparation of resolution measures in banks' resolution plans. In regard to banks in Slovakia that fall under the competence of the EU's Single Resolution Board (SRB), the Bank in 2020 continued to participate in international resolution teams and followed priorities set by the SRB. Progress was achieved

[8] For further information, see NBS Analytical Commentary No 97 of 4 January 2021, entitled "Prieskum zadlžených domácností - výsledky šiestej vlny" (in Slovak only), and Cupák, A., Klacso, J., and Šuster, M., "Surveying the Impact of the Covid-19 Recession on the Financial Situation of Indebted Households", NBS Working Paper, No 6, Národná banka Slovenska, 2020.

in the drafting of resolution manuals by banks whose resolution strategy involves using the bail-in tool. Improvements were made to those parts of resolution plans concerned with how to ensure continuity of critical services during and after resolution. Progress was also made in banks' contingency plans for maintaining access to key financial market infrastructures both during and after resolution.

For banks that in a future crisis would be resolvable in resolution proceedings, as opposed to insolvency proceedings, **Slovakia's Resolution Council in 2020 set a binding minimum requirement for own funds and eligible liabilities (MREL)** based on the results of resolution planning in the previous period.

In 2020 the Bank cooperated with the Ministry of Finance in transposing into Slovak law the EU's BRRD2 directive, which includes changes to the way the MREL is determined. This is linked with a new classification of banks and with an increase in transparency regarding banks' compliance with the MREL. Banks will be required to report to the Resolution Council and to disclose regularly to the public their levels of eligible and bail-inable liabilities and the composition of those liabilities, including their maturity profile and ranking in normal insolvency proceedings. The BRRD2 also introduced rules for investors in instruments eligible for the MREL, so as to prevent the instruments from being held by investors that might not have received an appropriate indication of relevant risks – a situation that could in itself constitute an impediment to resolvability.

2.5.3 Brexit

The United Kingdom's withdrawal from the European Union (Brexit) had significant implications for the financial area. As a result of Brexit, UK-based financial firms no longer have passporting rights to provide services across the EU Single Market based on a single authorisation in their home Member State.

In 2020 the Bank was actively engaged in the preparation of specific steps related to Brexit, working together with the EBA, ESMA and EIOPA (as EU-level regulatory authorities) and with the ECB, which along with the Bank exercises supervision of banks in Slovakia. In this regard, the Bank reminded UK-authorised financial firms operating in Slovakia to complete the necessary Brexit-related steps in regard to the updating of cross-border agreements, including the switching of their position to another entity authorised to provide financial services in Slovakia. The Bank also gave public notice that, as from 1 January 2021, UK-based insurers would no longer have the right to conclude new insurance contracts in Slovakia and would still be required to meet their obligations arising under insurance contracts concluded in Slovakia before that date.

In the last quarter of 2020, the Bank also addressed capital market participants under its supervision about their preparedness for conducting business under the new legal framework entering into force from 1 January 2021. Its survey of investment firms, asset management companies and the Bratislava Stock Exchange included mainly questions on what direct or indirect impact they expected Brexit to have on the conduct of their business and their customers and on what measures they had taken or were planning to take.

2.5.4 Anti-money laundering and combating the financing of terrorism (AML/CFT)

2020 was a busy year in the AML/CFT field

In regard to the fulfilment of AML/CFT tasks at the domestic and international level, the Bank's supervision sections coordinated their activity. The two principal tasks being fulfilled in 2020 were related to a comprehensive assessment of AML/CFT risk in Slovakia.

The first task concerned the efficiency of the AML/CFT system in Slovakia. Following an assessment visit by experts from the Council of Europe's MONEYVAL Committee, staff members from all different areas of NBS supervision cooperated with representatives of domestic state institutions and with Council of Europe experts to prepare the Mutual Evaluation Report that would be adopted by the MONEYVAL Committee at its plenary session in September 2020.

The second task was the second round of a National Money Laundering and Terrorist Financing Risk Assessment. The work performed in May 2020 built on the conclusions of the first assessment round. It concerned the assessment of existing risks and the identification of new risks in the AML/CFT area. Later in the year, a number of NBS expert teams began to draft reports on the AML/CFT situation in different segments of the financial market.