Enhancing National and International Cooperation and Coordination

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Outline

- Financial stability and crisis arrangements at domestic level
- Financial stability and crisis arrangements at cross border level
- Future of European financial supervisory framework
Financial stability and crisis arrangements at domestic level

- Since 2006, NBS is the sole regulator and supervisor of the whole financial system in Slovakia
- Functional arrangements of the licensing and supervision
- Group-wise on-site and off-site supervision is more effective, very precise picture about all institutions and groups was immediately available
- Standing group for crisis resolution (Ministry of Finance and NBS) – monitoring, crisis simulation, new – crisis legislation
- Liquidity management – Oct 08, stress testing of the banking system – March 09
Financial stability and crisis arrangements at cross border level

- Slovakia is a typical host country with 90% of financial sector assets in foreign owned institutions
- Effective cross-border co-operation and communication in crucial for financial stability safeguarding
- Colleges of supervisors – key tool for these purposes; macro-prudential level – information exchange
- Colleges of supervisors – micro-prudential level – group meetings (new developments), approval of advanced models for credit, market and operational risk at group level and their implementation
- Very positive experience thus far at both levels
Future of European financial supervisory framework

- Centralization seems to be thus far the only answer to crisis in Europe...
- ... but supervision is a local activity and the market remains strongly fragmented
- How to cope with different bankruptcy laws, land registers, languages, deposit and investment protection schemes etc.?
- Centralized ESRC and ESFS should acquire roles in centralized macro-prudential supervision and regulation – but their responsibility have not been defined yet
- Of course, macro and micro levels should be better connected and influence each other
Future of European financial supervisory framework (continued)

- Convergence in regulation is inevitable (although some national discretions are useful and necessary)
- Responsibility of national bodies for financial stability in their jurisdictions remains; no burden sharing thus far has been discussed
- Present system has been in force for only 2 years; it is questionable whether should be rejected and replaced
- However, the big machine is working, let’s try to create the best possible system