Introduction and legal basis
On 18 July 2018 the European Central Bank (ECB) received a request from the Ministry of Finance of the Slovak Republic (hereinafter the ‘Ministry of Finance’) for an opinion on a draft law amending the Law on resolving crisis situations in the financial market and on amendments to certain laws (hereinafter the ‘draft law’).

The ECB’s competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union and the third, fifth and sixth indents of Article 2(1) of Council Decision 98/415/EC, as the draft law relates to Národná banka Slovenska (NBS), payment and settlement systems, rules applicable to financial institutions insofar as they materially influence the stability of financial institutions and markets and the ECB’s specific tasks concerning the prudential supervision of credit institutions pursuant to Article 127(6) of the Treaty. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

1. Purpose of the draft law
1.1 The draft law amends seventeen laws. The majority of amendments it introduces relate to financial legislation in a variety of areas.

1.2 Amendments to Law on critical infrastructure
1.2.1 The draft law introduces amendments to the Law on critical infrastructure through the introduction of a new ‘finance’ sector in respect of critical infrastructures. The draft law proposes that this finance sector is divided into three sub-sectors: ‘banking’, ‘financial markets’ and ‘public finance management’. The banking and financial markets’ sub-sectors exclude activities and infrastructures operated by the Eurosystem, the European System of Central Banks (ESCB) and NBS, or that are related to the activities, powers and infrastructures of the Eurosystem, the ESCB, the ECB or NBS.

1.2.2 The draft law designates the Ministry of Finance as a competent authority in relation to critical infrastructure in the finance sector for the purposes of the Law on critical infrastructure. In the

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performance of its duties, the Ministry of Finance is required to ask the opinion of NBS in situations where the Ministry of Finance carries out its tasks under the Law on critical infrastructure in respect of supervised entities in financial markets.

1.2.3 The draft law excludes from the scope of the Law on critical infrastructure information systems, infrastructures, competence, authority and information of NBS, the ESCB, the Eurosystem, the ECB, the European System of Financial Supervision and the Single Supervisory Mechanism (SSM)\(^3\). In the context of this exclusion, the draft law refers to Council Regulation (EU) No 1024/2013\(^4\), Regulation (EU) No 468/2014 of the European Central Bank\(^5\), Decision ECB/2014/29 of the European Central Bank\(^6\), Law No 566/1992 on the National Bank of Slovakia, Articles 127 to 138 and 282 of the Treaty, the Protocol on the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the ‘Statute of the ESCB’) and Regulation (EU) No 795/2014 of the European Central Bank\(^7\).

1.3 **Amendments to Law on cybersecurity**

1.3.1 The draft law introduces amendments to the Law on cybersecurity\(^8\) to align it with the new scope of the Law on critical infrastructure as amended by the draft law. In particular, the list of providers of essential services in the banking sector is expanded to include the administrators and operators of networks and information systems which are elements of a critical infrastructure under the Law on critical infrastructure, or which are directly connected to such critical infrastructure, but with the exception of those networks and information systems specified in Article 2(2) of the Law on cybersecurity.

1.3.2 The draft law expressly retains the specific exclusions under the current Law on cybersecurity when extending the scope of operators of essential services in the banking sector. In particular, as provided for in Article 2(2), the current Law on cybersecurity does not apply to the requirements related to network and information system security and cybersecurity incident reporting in the banking, finance or financial system sectors as specified, for example, in the Law on payment services\(^9\). These include the standards and principles issued or adopted by the ECB, the ESCB, the Eurosystem or the European Supervisory Authorities\(^10\), if their effect is at least equal to the

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\(^3\) See Article XII, point 2 of the draft law.
\(^8\) Law No 69/2018 on cybersecurity.
\(^9\) In particular (a) the provisions requiring the payment services provider (PSP) to manage operational risk (including making reports to NBS); (b) incident reporting by the PSP to NBS; (c) the obligation of the payment system operator, central securities depository and PSP to submit from their registers all the information necessary to perform assessments based on the standards issued by NBS, the ECB, the ESCB and the Eurosystem; and (d) the provisions setting out the content of applications for authorisation of payment institutions (which include requirements as to the information on management of risks).
\(^10\) The Law on cybersecurity cross-refers by way of example to Article 127(2) of the Treaty, Articles 12.1 and 22 of the Statute of the ESCB, Article 2 of Law No 566/1992 Coll. on the National Bank of Slovakia, and Article 2(9) of Law No 747/2004 Coll. on financial market supervision.
effect of obligations under the Law on cybersecurity, and also include the decisions, standards and
principles issued or adopted by NBS, if their aim is to achieve a higher level of network and
information system security than is achieved under the Law on cybersecurity. In addition, the
current Law on cybersecurity does not apply to payment systems and securities clearing systems
overseen or operated by the ECB or the Eurosystem pursuant to Articles 3.1 and 22 of the Statute

1.4 Amendments to Law on banks

1.4.1 The draft law amends the provisions of the Law on banks\(^\text{11}\) regarding the composition of the cover
pool underlying covered bonds. In particular, it specifies that for the purpose of calculating the
minimum 90% proportion of base assets\(^\text{12}\) and the maximum 10% proportion of supplementary
assets\(^\text{13}\) in the cover pool, liquid assets in the cover pool are not to be taken into account\(^\text{14}\).

1.4.2 The draft law further clarifies that the consent of the covered bond programme administrator is not
required when the covered bond issuer excludes from the cover pool (i) claims where the borrower
is in default under Article 178 of Regulation (EU) No 575/2013\(^\text{15}\), (ii) assets with a maturity date
which exceeds 30 years and (iii) claims where the value of the immovable collateral has decreased
below the principal amount of the loan.

1.4.3 The draft law amends the provisions of the Law on banks regarding the provision of information to
the Register of Bank Loans and Guarantees maintained by NBS, for example by allowing public
authorities to make available and provide to NBS any information and data from the public and
non-public parts of the registers they maintain, without the consent of the person to which the
information relates.

1.4.4 The draft law also amends provisions of the Law on banks related to the information that the
Ministry of Finance and the Slovak tax authorities are entitled to receive from credit institutions. In
particular, the data that credit institutions are required to submit to the Ministry of Finance from their
accounting and statistical records are limited to certain pre-defined reports that are submitted to
NBS under the current Law on banks. On the other hand, the Ministry of Finance and the Financial
Directorate (the Slovak tax authority) are entitled to receive on an annual basis detailed information
on accounts and transactions of legal persons and entrepreneurs for the purposes of their
analytical work in the area of taxation.

1.4.5 The draft law extends the information-reporting duties of NBS with respect to \textit{Rada pre riešenie
krízových situácií} (the Resolution Board). In addition to information on corrective measures that is

\(^{11}\) Law No 483/2001 on banks.
\(^{12}\) The Law on banks defines ‘base assets’ as mortgage loans with a maximum maturity of 30 years, provided to
consumers, secured by mortgages over real estate and registered in the covered bond register.
\(^{13}\) The Law on banks defines ‘supplementary assets’ as deposits with NBS, the ECB/ or a Eurosystem central bank,
ECB debt certificates, cash, treasury bills of Slovakia or an EU Member State, deposits in banks and bank bonds.
\(^{14}\) The Law on banks requires covered bond issuers to maintain a liquid assets buffer in case positive and negative
cash flows are not aligned at all times within a 180-day period. The liquid asset buffer is to cover all uncovered
negative cash flows (subject to transitional provisions) and is to be composed of Level 1 and Level 2A assets, as
defined by Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No
575/2013 of the European Parliament and the Council with regard to the liquidity coverage requirement for credit
institutions (OJ L 11, 17.1.2015, p. 1), and is also to be composed of exposures to institutions.
\(^{15}\) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential
requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176,
27.6.2013, p. 1).
currently required to be provided under Article 50 of the Law on banks, the draft law requires that NBS must inform the Resolution Board in cases where NBS adopts decisions on a measure to prevent crisis situations or receives notification from the board of a credit institution assessed by NBS that one or more of the conditions for making the ‘failing or likely to fail’ determination is met.

1.5 Amendments to Law on payment services

The draft law makes several amendments to the Law on payment services\(^{16}\). For example, it introduces an obligation for payment services providers to establish an alternative dispute resolution mechanism to resolve disputes between payment services providers and their consumer clients and obliges the operators of such alternative dispute resolution mechanisms to provide information to NBS about any breaches by payment services providers of their obligations.

1.6 Amendments to Law on resolution in the financial market and Law on insolvency and restructuring to implement Union law provisions on hierarchy of creditors

The draft law amends the Law on resolution in the financial market\(^{17}\) and the Law on insolvency and restructuring\(^{18}\) to implement the provisions of Directive (EU) 2017/2399\(^{19}\) on the hierarchy of creditors. The draft law provides that the claims of *Fond ochrany vkladov* (the Deposit Guarantee Fund) arising from resolution financing rank higher than (a) those arising from eligible deposits of natural persons and micro, small and medium-sized enterprises which exceed the coverage level of the Deposit Guarantee Fund, and (b) deposits of natural persons and micro, small and medium-sized enterprises which would have been considered eligible deposits if they had not been made through branches located in a non-EU Member State. In addition, the draft law provides that claims which are issued as permanent instruments without an obligation to pay back the principal, and which also allow for their write-down or conversion to Tier 1 instruments are to rank below subordinated claims.

2. Preliminary comment

This opinion focuses on the provisions of the draft law relating to (a) the Law on critical infrastructure and the Law on cybersecurity and (b) the Law on banks.

3. Law on critical infrastructure and Law on cybersecurity

3.1 As previously noted\(^{20}\), the ECB supports the aim of Directive (EU) 2016/1148 to ensure a high common level of network and information security across the Union and to achieve a consistent approach in this field across business sectors and Member States. It is important to ensure that the

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16 Law No 492/2009 on payment services.
17 Law No 371/2014 on resolution in the financial market.
18 Law No 7/2005 on insolvency and restructuring.
internal market is a safe place to do business and that all Member States have a certain minimum level of preparedness for cybersecurity incidents.21

3.2 Impact of draft law on payment systems

3.2.1 The ECB understands that the Law on critical infrastructure and the Law on cybersecurity, as amended by the draft law, do not apply to payment systems operated or overseen22 by ESCB central banks. The ECB welcomes this, as it should help to ensure that Slovak legislation on the protection of critical infrastructures and on cybersecurity does not encroach on the competences of the ECB, the Eurosystem and/or the ESCB, consistently with the principle of the primacy of Union law and of central bank independence pursuant to Article 130 of the Treaty23.

3.2.2 In particular, the ECB understands that (a) the Slovak component of the TARGET2 payment system, which is operated by NBS, (b) the Slovak and Interbank Payment System (SIPS), a prominently important retail payment system operated by NBS and overseen by NBS pursuant to the Revised Oversight Framework for Retail Payment Systems24, and (c) the system operated by First Data Slovakia, which is overseen by NBS pursuant to the Revised Oversight Framework for Retail Payment Systems, would all be exempt from the application of both laws as amended by the draft law, if the result achieved is the same or a higher level of network and information system security than is achieved by compliance with the Law on cybersecurity. The TARGET2 payment system has been identified, pursuant to Decision ECB/2014/35 of the European Central Bank25 as a systematically important payment system and is overseen by the ECB as the competent authority under Regulation (EU) No 795/2014.

3.3 Impact of draft law on TARGET2-Securities and critical service providers

3.3.1 The ECB understands that TARGET2-Securities (T2S) services would be exempt from the scope of the Law on critical infrastructure and the Law on cybersecurity26 as amended by the draft law, on the basis that pursuant to Article 6 of Guideline ECB/2012/13 of the European Central Bank27 and

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22 In this regard, the ECB understands that the term ‘related to the competencies’ in the text in the draft law amending Annex 3 to the Law on critical infrastructure ‘excluding activities and infrastructures operated by the Eurosystem, the ESCB and NBS, or related to the activities, competencies and infrastructures of the Eurosystem, the European System of Central Banks, the European Central Bank, or Národná banka Slovenska’ [emphasis added] excludes from the scope of Annex 3 all systems overseen by the ESCB.
23 See e.g. paragraph 2.2 of Opinion CON/2014/58, paragraph 2.2 of Opinion CON/2017/10 and paragraph 3.1.1 of Opinion CON/2018/22.
26 It is, however, noted that T2S is not a system and hence would not be considered as a payment system or securities clearing and settlement system within the second arm of the exclusion under Article 2(2)(d) of the Law on cybersecurity. However, the ECB understands that T2S would be excluded from the scope of the Law on cybersecurity based on the first arm of the same provision, as it is overseen based on standards adopted by the Eurosystem on the basis of Article 127(2) of the Treaty. If the intention of the legislature was to also exempt T2S on the basis of the second arm of Article 2(2)(d) of the Law on cybersecurity, then the wording in Article 2(2)(d) should read ‘securities clearing and settlement infrastructures’ instead of ‘securities clearing systems’.
Article 7 of the T2S Framework Agreement, T2S is operated by the Eurosystem. Furthermore, in line with the Governing Council’s decision in its Eurosystem oversight policy framework (revised version of July 2016), T2S falls under the Eurosystem’s oversight competences under Articles 127(2) of the Treaty and Articles 3.1 and 22 of the Statute of the ESCB.

3.3.2 Similarly, the ECB understands that, in line with the Governing Council’s decision in its Eurosystem oversight policy framework referred to above, critical service providers that fall under Eurosystem oversight competences under Articles 127(2) of the Treaty and Articles 3.1 and 22 of the Statute of the ESCB would not be included in the scope of the Law on critical infrastructure and the Law on cybersecurity as amended by the draft law.

3.4 Impact of draft law on central securities depositories

3.4.1 NBS has been designated as a competent authority for authorisation and supervision of the central securities depositaries (CSDs) as well as the authority responsible for the oversight of the securities settlement systems (SSSs) operated by the CSDs. Accordingly, NBS supervises the two CSDs in Slovakia – the Centrálny depozitár cenných papierov, a.s. (CDCP) and Národný centrálny depozitár cenných papierov, a.s. (NDCP) – and oversees the SSSs operated by them.

3.4.2 Taking into account the cross-references in the draft law it is not fully clear whether the exclusions introduced by it would only apply to SSSs operated by either the CDCP or the NDCP and overseen by NBS, or would also apply to the CDCP and the NDCP themselves, on the basis that they are both supervised by NBS under Regulation (EU) No 909/2014. Consequently, it is not clear to what extent the Law on critical infrastructure and the Law on cybersecurity would apply to these two CSDs. In the interest of legal certainty, it may be useful to explicitly clarify in the draft law the extent to which these CSDs supervised by NBS fall within the scope of the draft law.

3.5 Impact of draft law and cybersecurity law on credit institutions supervised by ECB and NBS

3.5.1 Council Regulation (EU) No 1024/2013 confers tasks on the ECB concerning the prudential supervision of credit institutions with a view to contributing to their safety and soundness and in order to protect the stability of the financial system of the Union and each Member State. The ECB is responsible for the effective and consistent functioning of the SSM and exercises oversight over the SSM’s functioning, based on the distribution of responsibilities between the ECB and national competent authorities (NCAs), including NBS. In particular, the ECB carries out its task to authorise and to withdraw the authorisations of all credit institutions. For significant credit institutions the ECB also has the task, among others, to ensure compliance with the relevant Union law that imposes

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28 Published on the ECB’s website at www.ecb.europa.eu.
33 See paragraph 1.3 above.
prudential requirements on credit institutions, including the requirement to have in place robust governance arrangements, including sound risk management processes and internal control mechanisms. To this end, the ECB is given all supervisory powers to intervene in the activity of credit institutions that are necessary for the exercise of its functions.

3.5.2 The prudential supervision of credit institutions also covers topics related to cybersecurity and the protection of infrastructures relevant for the operation of credit institutions as part of the prudential supervision of operational risk, meaning the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In this respect, the ECB has the power, among others, to restrict or limit the business, operations or network of an institution or to request the divestment of activities that pose excessive risks to the soundness of an institution. Since the assessment of the adequacy of the internal governance arrangements of credit institutions is one of the core competences of prudential supervisors, the requirements under the draft law should not interfere with the tasks they carry out.

3.5.3 Under the current Law on cybersecurity, Národný bezpečnostný úrad (the National Security Authority) has a wide range of powers to address a serious cybersecurity incident or a threat thereof, including issuing an alert or warning of cybersecurity incidents, imposing an obligation to deal with a cybersecurity incident, imposing an obligation to take reactive measures, and requiring draft measures and their execution to prevent further continuation, spread and recurrences of a serious cybersecurity incident.

3.5.4 Under the Law on critical infrastructure, as amended by the draft law, the Ministry of Finance has powers to impose administrative sanctions of up to EUR 200,000 where the operator of an element of a critical infrastructure does not comply with its obligations under the Law on critical infrastructures.

3.5.5 In the light of the above, the ECB suggests clarifying that the scope of the Law on critical infrastructure and of the Law on cybersecurity and any powers granted to the competent authorities thereunder are without prejudice to the tasks and powers of the ECB and NBS under Council Regulation (EU) No 1024/2013 and applicable Slovak law.

3.5.6 Finally, the ECB welcomes the requirement that the authority fulfilling the tasks of the computer security incident response team (CSIRT) unit under the Law on cybersecurity and the Ministry of Finance under the Law on critical infrastructure must consult NBS in a case where the operator of the essential service is a credit institution supervised by the NBS. The ECB suggests that it should also be clarified that, in the same way, the ECB is consulted where the competent authorities under

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35 See Articles 4(1)(e) and 6(4) of Regulation (EU) No 1024/2013.
38 See Article 16(2)(e) of Regulation (EU) No 1024/2013.
40 See Article 27 of the Law on cybersecurity.
41 See also paragraph 4.6 of Opinion CON/2018/22.
the Law on cybersecurity or the Law on critical infrastructure take measures affecting significant credit institutions directly supervised by the ECB.

4. Law on banks

4.1 Amendments to covered bond framework

4.1.1 On 12 March 2018 the European Commission published a legislative proposal for a Union framework on covered bonds. The Slovak authorities are invited to take the proposal into account in the Slovak legislative process, as appropriate.

4.1.2 The ECB supports the provisions on the composition of the cover pool, under which base assets must form a minimum share and supplementary assets may only represent a maximum share of the cover pool. Those limitations are important for the regulation of the composition of the cover pool in order to ensure its homogeneity and to facilitate investors’ ability to conduct due diligence.

4.1.3 The ECB recommends that prior to the adoption of the draft law the Slovak authorities analyse the possible impact of the exclusion of the liquidity buffer from the calculation of the minimum limits on base assets and maximum limits on supplementary assets. The ECB emphasises the importance of homogeneity in the cover pool, in particular to ensure sufficient representation of base assets.

This opinion will be published on the ECB’s website.

Done at Frankfurt am Main, 31 August 2018.

[signed]

The President of the ECB

Mario DRAGHI

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