



OPINION OF THE EUROPEAN CENTRAL BANK

of 4 November 2020

on the abolition of the special levy on selected financial institutions

(CON/2020/28)

Introduction and legal basis

On 30 September 2020 the European Central Bank (ECB) received a request from the Ministry of Finance of the Slovak Republic for an opinion on a draft law abolishing a special levy on selected financial institutions and on certain measures in connection with this abolition (hereinafter the 'draft law')¹.

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 sixth indent of Article 2(1) of Council Decision 98/415/EC², as the draft law relates to rules applicable to financial institutions insofar as they materially influence the stability of financial institutions and markets. 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 Law No 384/2011 Coll. on a special levy on selected financial institutions and on amendments of certain laws (hereinafter the 'Law No 384/2011')³ imposes an obligation on banks and branches of foreign banks operating in Slovakia (hereinafter collectively referred to as the 'banks') to pay a special levy. The proceeds of this special levy are State financial assets with the designated purpose of covering costs related to the resolution of financial crises in the banking sector and protecting the financial stability of the Slovak banking sector, including the replenishment of the Deposit Protection Fund necessary for expenses due to the payment of compensation for unavailable deposits. The draft law abolishes the special levy on selected financial institutions as of 1 January 2021 and repeals Law No 384/2011.
- 1.2 The draft law stipulates that the balances of the collected levies will remain State financial assets in accordance with Law No 523/2004 on general government budgetary rules and amending certain laws⁴. The explanatory memorandum to the draft law states that the intention is to use these assets in accordance with the Memorandum of Understanding concluded between the Ministry of

¹ Návrh zákona o zrušení osobitného odvodu vybraných finančných inštitúcií a o niektorých opatreniach súvisiacich s jeho zrušením.

² Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions (OJ L 189, 3.7.1998, p. 42).

³ Zákon č. 384/2011 Z.z. o osobitnom odvode vybraných finančných inštitúcií a o doplnení niektorých zákonov.

⁴ Zákon č.523/2004 Z.z. o rozpočtových pravidlách verejnej správy a o zmene a doplnení niektorých zákonov.

Finance of the Slovak Republic and the Slovak Banking Association in June 2020 to fund the activities of the Slovak Development Fund, which will focus on supporting and financing development programs of the Slovak Government⁵. A smaller part of the funds⁶ will also be used to strengthen the Slovak Deposit Protection Fund and the Slovak Crisis Resolution Fund, and to reimburse eligible expenses of the Crisis Resolution Council pursuant to Law No 371/2014 on resolution in the financial market and on amendments to certain laws⁷.

2. Abolition of the levy and the use of proceeds

The abolition of the levy may contribute to an increase of the capital generation capacity of credit institutions and support lending to the real economy.⁸ The ECB welcomes the intended use of part of the collected funds for strengthening the Slovak Deposit Protection Fund and the Slovak Crisis Resolution Fund, which will contribute to improving the resilience of, and confidence in, the financial sector. However, following up on its observations in its past opinions⁹, the ECB is of the view that the use of a large portion of levies already collected for purposes unrelated to financial stability would weaken the overall robustness of the financial sector if no concomitant safeguards to enhance its stability are put in place. An example of such a safeguard would be a mechanism designed to allow all the funds that have been already collected from the financial sector to be available in the event of a crisis.

This opinion will be published on EUR-Lex.

Done at Frankfurt am Main, 4 November 2020.

[signed]

The President of the ECB

Christine LAGARDE

⁵ Although the Memorandum of Understanding expresses the intention regarding supporting and financing development programs of the Slovak Government, the exact modalities of the distribution of funds is not yet specified by law.

⁶ See the Memorandum of Understanding concluded between the Ministry of Finance of the Slovak Republic and the Slovak Banking Association in June 2020.

⁷ Zákon č.371/2014 Z.z. o riešení krízových situácií na finančnom trhu a o zmene a doplnení niektorých zákonov.

⁸ See paragraph 2.3 of Opinion CON/2019/40. All ECB opinions are published on EUR-Lex.

⁹ See, for example, paragraph 3.2.1 of Opinion CON/2010/62, paragraph 2.1 of Opinion CON/2011/29, paragraph 3.2.1 of Opinion CON/2011/66, paragraph 2.1 of Opinion CON/2012/53, paragraphs 3.1.1 and 3.1.2 of Opinion CON/2015/43 and paragraph 2.1 of Opinion CON/2019/40.