



## MEETINGS OF THE NBS BANK BOARD

The 26th Meeting of the Bank Board of the National Bank of Slovakia was held on 12 December 2002, chaired by Marián Jusko, Governor.

- The Bank Board of the National Bank of Slovakia decided on setting the basic interest rate of the National Bank of Slovakia. The basic interest rate of the NBS is its two-week REPO tender limit rate. The terms “discount rate of the National Bank of Slovakia” and “discount rate of the State Bank of Czecho-Slovakia” used in certain generally binding legal regulations shall mean the basic interest rate of the National Bank of Slovakia. The term “basic interest rate” is herewith introduced with effect from 1 January 2003.

- The Bank Board of the NBS decided on conditions for generation of minimum reserves of banks, branch offices of foreign banks and building societies in 2003. The rate of minimum reserves in 2003 will be 3 % equally for banks, foreign branches, as well as for building societies.

- The Bank Board of the NBS approved appeal proceedings against first instance decisions in the area of foreign exchange, and established a commission for judging appeals against the first instance decisions imposing sanctions for the violation of foreign exchange regulations.

- The Bank Board of the NBS approved the NBS Decree on disclosure of information by banks and branch offices of foreign banks and on the method of disclosure of annual reports of banks and foreign banks operating in the Slovak Republic.

The decree is intended to reinforce the legal status and legal confidence of current and possible future clients of banks through better public disclosure about individual banks and their trades. The public shall have access to information on activities and financial situation of individual banks, as well as on their shareholders structure which crucially influences and controls the activities of the banks.

This decree replaces the NBS Decree No. 3/2001, dated 22 December 2000, on disclosure of information by banks and branch offices of foreign banks.

- The Bank Board of the NBS approved the NBS Decree on asset exposure of banks.

This decree replaces the NBS Decree No. 7/2001 on the rules concerning limitations on banks' exposures to other entities. The aim of the new decree is to set down details of asset exposure, as well as adjust individual reporting, and pursuant to the law reduce the risk posed to banks owing to the excessive concentration of trade with certain persons.

The decree was prepared in connection with the new

Banking Act (Act No. 483/2001 Coll.) and in accordance with Directive No. 2000/12/EC of the European Parliament and the Council.

- The Bank Board of the NBS approved the NBS Decree on adequacy of own funds for banks' financing. This regulation replaces the NBS Decree No. 2/2000 on capital adequacy of banks, as amended by the NBS Decree No. 8/2001. The new decree was prepared in relation to Act No. 483/2001 Coll., on banks and on amendments and supplements to certain laws, (the Banking Act).

- The Bank Board of the NBS approved the NBS Decree on classification of assets and liabilities of banks and branch offices of foreign banks, on their valuation, on creation and cancellation of reserves, and thereto related reports.

This decree stipulates details of classification of assets and liabilities of banks and branches of foreign banks, details of valuation of assets and liabilities according to risks and expected losses, and details of creation and cancellation of reserves.

The decree replaces the NBS Decree No. 3/1995, dated 3 March 1995, on rules for evaluating bank claims and off-balance sheet liabilities in terms of risk exposure and for reserving funds as provision against such risks.

- The Bank Board of the NBS approved the NBS Decree on reporting by banks and branch offices of foreign banks to the National Bank of Slovakia.

- The Bank Board of the NBS approved the NBS Decree which amends the NBS Decree No. 6/1999 stipulating terms for regulating the balance of payments of the Slovak Republic.

- The Bank Board of the NBS approved the NBS Decree on the creation method, structure and register of constant symbols used in the payment system. The decree was made pursuant to Act No. 510/2002 Coll., on the payment system and on amendments and supplements to certain laws,

Article 75 para 1.

The decree stipulates the creation method, structure and register of constant symbols which are used in the domestic payment system and which create obligatory items of transfer orders. The proposed effectiveness of the decree is 1 January 2003.

- The Bank Board of the NBS approved the NBS Decree on reports submitted to the National Bank of Slovakia by operators of payment systems. The decree was prepared in line with Act No. 510/2002 Coll., on the payment system and on amendments and supplements to certain laws, Article 75 para 2 letter a).



The decree sets down the structure of reports submitted to the NBS by the operators of payment systems who have been licensed to operate payment systems or operate payment systems on the basis of commission by the NBS. They report on the number and value of processed and settled inter-bank and client orders and reports, as well as on inter-bank and client orders according to the ranges of values of processed and settled orders. The decree also provides the methodology for reports preparation. The proposed effectiveness of the decree is 1 January 2003.

- The Bank Board of the NBS approved the NBS Decree on reports submitted to the National Bank of Slovakia by issuers of electronic means of payment. The decree was prepared in line with Act No. 510/2002 Coll., on the payment system and on amendments and supplements to certain laws, Article 75 para 2 letter a).

The decree sets down the structure of reports, which are submitted by issuers of electronic means of payment, on the value of electronic money issued by an issuer and on the number of electronic means of payment issued by an issuer in circulation. This decree further stipulates the scope, contents and structure of reports; the deadline, form, method, procedure and place of their delivery; and it also includes the methodology for reports preparation. The proposed effectiveness of the decree is 1 January 2003.

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The 27th Meeting of the Bank Board of Slovakia was held on 13 December 2002, chaired by Marián Jusko, Governor.

- The Bank Board of the NBS approved the Report on development of the banking sector and the assessment of prudential undertaking for the banking sector as of 30 September 2002.

In 2002 the results of the banking sector restructuring have started to show. The improvement of the banks productivity, the positive change in the structure of yields as well as of other financial indicators, the increase of competition on the banking products market, especially in the field of credits, was recorded. The development of the assets structure of the banking sector has had an improving trend – the amount of classified loans has been decreasing. Apart from the improvement of the volume and ratio indicators of the banking sector as a whole, improvement within the prudential limits took place.

### Banking Sector Development

As of 30 September 2002, the Slovak banking sector comprised twenty bank entities (18 banks and 2 branch offices of foreign banks) and 8 representative offices of foreign banks. Of 14 universal banks 8 banks and one branch office of a foreign bank were licensed to conduct mortgage transactions.

As of 30 September 2002, the net profit reported by

banks equalled SKK 7.7 bn. As of 30 September 2002, as compared to the end of 2001, the capital adequacy for the Slovak banking sector increased by 2.53% and reached 22.28%. During the period under review, all the banks fulfilled the capital adequacy limit.

As of 30 September 2002, the volume of subscribed registered capital in the banking sector (excluding NBS) reached SKK 38.5bn. The foreign investors share in the total subscribed registered capital of banks and in the funds provided by foreign banks to their branch offices increased in the given period from 60.6% (as of 31 December 2001) to 85.0% (as of 30 September 2002).

Total assets of the banking sector reached SKK 1014.3bn as of 30 September 2002.

As of 30 September 2002, total claims on loans reported by banks were SKK 333.8bn. The classified claims decreased to SKK 38.5bn and their share in total claims decreased to 11.54%.

### Banking Supervision Performance

In nine months of 2002, 6 on-site inspections in 6 banks were carried out, and the inspection in the seventh bank is being undertaken now. The Banking Supervision was focused on the consistent monitoring and assessment of the banking performance risks. The Banking Supervision Division of the NBS issued 115 decisions in the field of licencing, in the form of proceedings, including proceedings for violating the law.

In order to arrange the Banking Supervision conduct at the international level, from the beginning of 2002 the Banking Supervision Division of the NBS concluded the Memoranda of Understanding with the supervisory authorities in Germany and Hungary, and amended the Memorandum of Understanding with the Czech National Bank. On the basis of the Letters of Understanding cooperation between the National Bank of Slovakia and the Comptroller of the Currency (USA) has started. The Memoranda of Understanding between the National Bank of Slovakia and Banca d'Italia (Italy) and the National Bank of Slovakia and Commission Bancaire (France) were also signed.

Moreover, the Memorandum of Understanding was concluded and signed between the National Bank of Slovakia and the Financial Market Authority. In addition, negotiations with the Austrian and Dutch supervisory authorities are still in progress.

The Bank Board of the NBS approved the Monetary Programme of the NBS for 2003; it will be presented at the NBS press conference on 17 December 2002 at 10 a.m.

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The 28th Meeting of the Bank Board of the National Bank of Slovakia was held on 20 December 2002, chaired by Marián Jusko, Governor.

- The Bank Board of the NBS discussed the Situation Report on Monetary Development in the SR in November 2002. Compared to the situation in the previous



month, the year-on year dynamics of headline and core inflations did not change in November; it was even slightly lower, as opposed to the NBS expectations. This was mainly due to the development of foodstuff and fuel prices. The impact of demand and cost inflation pressures continued to be low, which was also corroborated by the year-on-year net inflation development that reported the lowest figure in the year.

After the NBS reduced its key interest rates (effective as of 18 November), the exchange rate of the Slovak koruna was characterised by a stable development and did not call for additional measures on the part of the central bank.

Given the current and expected inflation development and the stabilisation of the Slovak koruna exchange rate, the Bank Board of the NBS decided on maintaining the currently applicable interest rates for overnight sterilisation transactions at 5%, for overnight refinancing transactions at 8%, and the limit interest rate for 2-week REPO tenders at 6.5%.

The Bank Board of the National Bank of Slovakia approved the Framework Agreement on terms of keeping accounts and carrying out payment system in the Slovak koruna for clients of the State Treasury in the National Bank of Slovakia. This agreement will allow the NBS to continue in the koruna payment system for the clients of the State Treasury after 1 January 2003.

The Bank Board of the NBS approved the launch of the inter-bank payment system SIPS on 1 January 2003. Upon the start of operation of the SIPS system, the inter-bank payment system operated by the Slovak National Clearing Centre ends on the accounting day of 31 December 2002.

The NBS designed the SIPS system utilizing state-of-the-art information technologies, to meet the objective of improving the domestic inter-bank payment system. The new SIPS system shall be safer, user-friendlier, and it will also provide certain new functions to conduct inter-bank payments. Owing to the used platform-independent technology, each participant in the inter-bank payment system (i.e. banks) can implement this system in their respective environment comfortably and at minimal costs. The total expense of the NBS on designing the SIPS system was less than SKK 25m. The low costs of the SIPS system design, as well as the ensuring of its effective functioning in the NBS, will enable the NBS to decrease approximately 5-times the charges for operating the inter-bank payments for the participants in the system. This substantial decrease in costs of carrying-out the domestic inter-bank payments allows also for the decrease by banks in prices of services provided to their clients.

**Press Department OVI NBS**

## OTHER NEWS

### Seminar on the EU accession process

In December 2002 the Governor of the NBS Marián Jusko together with the Deputy Governors of the NBS Elena Kohutíková and Ivan Šramko attended a seminar

on the EU accession process in Genva, Belgium, organised by the European Central Bank in cooperation with the Belgian Central Bank. The programme included issues concerning financial stability and the role of central banks during the accession process of EU candidate countries.

### Cooperation agreement

The National Bank of Slovakia and the Ministry of the Interior, Police Commission signed an Agreement on Mutual Cooperation ensuring the mutual provision of information and a coordinated procedure in fulfilling

task connected with the performance of banking supervision. The NBS will, in cooperation with the Police Commission, assist in uncovering illegal financial operations and preventing the laundering of proceeds from criminal activities in particular in the banking system.

### Notification

The Financial Market Authority has issued a decision on a provisional measure instructing Burza cenných papierov v Bratislave, a.s. (Stock Exchange) to cease trading in the securities ISIN SK 1120001062, of the issuer Slovenská poisťovňa, a.s., for the period until 5th June 2003. This decision does not relate to deals concluded in the framework of declared offers and compulsory offers for the purchase of shares pursuant to the Securities Act. The Authority found that in the framework

of direct deals made on the exchange, deals in Slovenská poisťovňa, a.s. shares had been made at unduly low prices close to the lower limit of the permissible price band, where the purchase offer was declared at the share price as high as SKK 2 178. Transactions in the respective shares were made from the accounts of small shareholders in the company's shares, and where there exists strong suspicion that shareholders were given misleading information for the purpose of making the sale of shares at an inappropriately low price.

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## **THE AUSTRIAN NATIONAL BANK GOVERNOR MEETING WITH NBS**

At the invitation of the Governor of the National Bank of Slovakia, Marián Jusko, the Governor of the Austrian National Bank Klaus Liebscher paid a visit to Slovakia on 16th December 2002. Deputy Governors Elena Kohútiková and Ivan Šramko and chief executive director Karol Mrva represented the NBS and vice-governor Gertrude Tumpel-Gugerell and central bank director Wolfgang Duchatzek represented the Austrian National Bank.



The meeting's agenda included discussions on current monetary and economic development, as well as the situation in the banking sector in both countries. Members of the Austrian delegation also gave information on their country's experience in the accession process into the European Union and European Monetary Union.

## **MEETING WITH COMMERCIAL BANKS REPRESENTATIVES**



At the end of last year the Governor of the National Bank of Slovakia Marián Jusko, Deputy Governors Elena Kohútiková and Ivan Šramko as well as other representatives of the NBS management held a meeting in Studené with senior representatives of the commercial banks in Slovakia. The Governor of the central bank Marián Jusko informed those present of the approved Monetary Programme of the NBS for the year 2003, the targets and tasks of the central bank for the coming period.

