

TRANSFORMATION – GOOD NEWS FOR BUSINESS

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Slovenská záručná a rozvojová banka, a. s.

At the end of last September the District Registration Court in Bratislava issued a decision on the transformation of the Slovak Guarantee and Development Bank (Slovenská záručná a rozvojová banka) from a state financial institution to a joint-stock company with effect as of 1 October 2002.

The new Act on Banks charges state financial institutions with the duty to effect their transformation to joint-stock companies.

This formal change in the title of the bank is reflected also in the current reallocation of management and supervisory powers in the transformed SZRB.

The bank's registered capital of SKK 800 million through the Transformation Act has been converted into 800 registered ordinary shares in SZRB, each of them in the nominal value of SKK 1 million.

The sole and 100% shareholder of SZRB, a.s. is the state, represented by the SR Ministry of Finance.

Since 1 October 2002 the bank has been managed pursuant to its new articles of association, according to which the powers of the bank's management have passed to a 3-member board of directors, and supervisory functions to a 13-member supervisory board.

This change in responsibilities within the SZRB will influence quite significantly the bank's business. The whole regulatory basis of the bank will change, this ensuing from the new articles of association of the SZRB and from new legislative rules, ensuing from the Act on State Aid.

The existing range of programmes and products offered by the bank will also be modified. Nothing material will be changed in SZRB's products, but the bank will rework its philosophy, methodology and internal structure so that it will be compatible not only with banks of a similar type in advanced European countries, but also with their rules, applied in EU member countries.

The transformed SZRB will also have to accept its existing programmes, products and guarantee mechanism in commercial banks operating in the Slovak financial market in the field of guarantees and that consider small and medium-sized enterprises

as one of their target groups. This acceptance is proven by the fact that in the first 9 months of last year SKK 1.6 billion of guarantees were placed in the small and medium-sized business environment, representing a 70% increase on 2001.

The long-awaited transformation of SZRB to a joint-stock company will bring, as regards commercial banks, not simply a standardisation of the management and approval processes, but also more favourable conditions for expanding cooperation with other commercial banks expressing an interest in such programmes and products.

The bank's transformation into a joint-stock company will also be noticeable in relations abroad. SZRB has for several years operated long-term credit lines from the large German development bank Kreditanstalt für Wiederaufbau (KfW), for supporting small and medium-sized entrepreneurs, as well as from the Council of Europe Development Bank (CEB) for co-financing social housing construction.

The transformation together with economic stability will create better foundations for the bank as well as making finance itself cheaper, which the bank will be able to gain from abroad for small and medium-sized businesses in Slovakia.

The legal transformation has been made in order that SZRB, a.s. may act compliantly and be considered as a trustworthy development bank in Slovakia, capable of administering, mainly in the pre-accession period of EU integration, the expected increase in financing inflow from the Union's structural funds.

The administration of this finance may not be entrusted to commercial banks nor the National Bank of Slovakia, but only to a bank – a joint-stock company wholly owned by the state, namely the SZRB since 1 October 2002.

The bank's transformation will bring a broader range of financing options for its potential clients, i.e. small and medium-sized businesses, via several commercial banks. It is also expected that business financing will become more advantageous, i.e. cheaper. This is good news for many small and medium-sized businesses in Slovakia as well as for towns and villages; our existing as well as potential clients.