

MEETINGS OF THE NBS BANK BOARD

The 14th Meeting of the Bank Board of the National Bank of Slovakia, chaired by Governor Marián Jusko, was held on 4 July 2003.

- The Bank Board of the NBS discussed a draft joint document of the Ministry of Finance and the NBS "Strategy of the Slovak Republic for Adoption of the Euro". It stated that the Slovak Republic by signing in April 2003 the Accession Treaty to the European Union had committed itself to the euro area accession, and to the adoption of the euro. The euro adoption will mean realization of all the positive impacts of the integration on the Slovak economy. The process leading towards this objective will be based on an implementation of a series of reforms, resulting in a qualitatively more favourable business environment and in forming conditions for a sustainable economic growth.

This document, now submitted for a public discussion, is a draft of the programme approach of the Government and the NBS on the issue of the euro area accession. After it is discussed in the Advisory Council of the Economic Ministers, it will be a basis for further particular steps in the accession process.

- The Bank Board of the NBS approved for 2004 the additional issue of banknotes with nominal values of SKK 20 and SKK 100: 60 million pieces of each denomination in the unchanged design. As for coins in circulation, a minting of 15 million pieces of halier coins with nominal value of 50, the year 1996 design, was also approved.

- The Bank Board of the NBS further approved a minting of 15,000 pieces of the annual collector sets of coins in circulation in a new package, containing a decreased number of nominal values of the coins owing to the planned cancellation of halier coins with nominal values of 10 and 20.

- It also approved the minting of five designs of commemorative coins within the 2004 and 2005 plans of issue.

The 15th Meeting of the Bank Board of the National Bank of Slovakia, chaired by Governor Marián Jusko, was held on 29 July 2003.

- The Bank Board of the NBS discussed the Situation Report on Monetary Development in Slovakia in June 2003. The Bank Board decided on maintaining the overnight sterilisation rate at 5 %, the overnight refinancing rate at 8 % and the two-week REPO-tender limit rate at 6.5 %. The Rationale behind the decision of the NBS Bank Board on interest rates is published as a separate press release from the Bank Board meeting.

- The Bank Board of the NBS approved the draft amendment to the Foreign Exchange Act (Act No. 202/1995 Coll., which amends and complements Act No. 372/1990 Coll. on Offences).

This amendment to the Foreign Exchange Act stipulates the conduct and the intermediation of business activities,

which remain to be covered by the foreign-exchange regulation, in cases when the Slovak or foreign currencies in the cash or cashless form (purchase, sale, exchange and cross-border cash transfers of funds) are involved. It also regulates those foreign-exchange operations on the financial market, which incur certain risks and are not provided by the new Act on Securities and Investment Services (certain derivatives). The draft amendment to the Foreign Exchange Act thus regulates those activities where the interference of the National Bank of Slovakia as a monetary institution is necessary.

This draft amendment redefines the term of transactions in foreign exchange assets and the term of provision of financial services, and explicitly defines conditions for businesses applying for trading in foreign exchange assets and/or providing financial services.

The amendment also provides the foreign exchange reporting requirement (which serves for the collection of statistical data for the purposes of balance of payments compilation), specifies compulsory reporting entities and the scope of reporting (the foreign exchange reporting requirement in relation to import and export of funds is omitted, as the materially identical customs reporting requirement is included in the Customs Act).

The amendment further reviews certain provisions of the Foreign Exchange Act (including the term of provision of financial services) owing to a new terminology introduced by the new Payment Systems Act (Act No. 510/2002 Coll.), the new Act on Securities and Investment Services (Act No. 566/2001 Coll. as amended), and the new Banking Act (Act No. 483/2001 Coll. as amended).

The draft amendment also includes certain modifications to the National Bank of Slovakia Act and the Sole Traders Act, which are key for ensuring the function of the NBS in the foreign exchange area and for the implementation of the amendment to the Foreign Exchange Act.

- The Bank Board of the NBS approved the "Report on the Slovak Banking Sector Development and the Assessment of Prudential Conduct in the Banking Sector as of 31 December 2002.

In 2002, the results of restructuring of the banking sector started to show themselves. There were reported the improved asset productivity of banks, the positively changed yield structure as well as other financial indicators, and strong competition on the banking products market, in particular in lending. The development in the structure of assets in the banking sector was positive: a downward tendency in the share of classified claims continued. In addition to the improved volume and ratio indicators for the whole banking sector, meeting the prudential banking limits was also recorded.

As at 31 December 2002, there were twenty banks operating in the banking sector in Slovakia (i.e. eighteen banks and two branches of foreign banks) and seven representati-



ve offices of foreign banks. Of these eighteen banks there were three home-savings banks. Of fifteen banks with a universal licence, there were eight banks and one branch of a foreign bank with a licence for mortgage banking. The volume of subscribed share capital in the banking sector of Slovakia (excluding the NBS) was SKK 38.5bn as at 31 December 2002. The share of foreign investors in the total subscribed share capital of banks and in the permanently available funding of branches of foreign banks increased to 85.3 % (as at 31 December 2002) from 60.6 % (as at 31 December 2001).

Banks reported net profit of SKK 11.8bn as at 31 December 2002. As compared to the 2001 end-year figure, capital adequacy in the banking sector increased by 1.55 % and equalled 21.30 % as at 31 December 2002. In 2002, all banks met the capital adequacy limits. The total assets of the banking sector were SKK 1014bn as at 31 December 2002. As at 31 December 2002, the total claims on loans in the volume of SKK 342.3bn were reported by twenty banks. Classified claims fell to SKK 38.3bn and their share in total claims fell to 11.19 %. In 2002, seven on-site examinations were conducted in six banks. The Banking Supervision focused on thorough monitoring and assessment of banking operation risks. The Banking Supervision Division issued 135 Decisions, in particular in licensing area, including the decisions on suspension of proceedings, on proceedings for the breach of law, or on implementation of corrective measures.

In order to ensure the banking supervision conduct on the international level, Memoranda of Understanding were signed in 2002 with supervisory authorities in Germany, Hungary, the Czech Republic, the U.S.A., Italy and France. Moreover, the Agreement on Cooperation was concluded and signed between the National Bank of Slovakia and the Financial Market Authority, and also with the Ministry of Interior, Presidium of Police Corps.

The NBS published information on the Slovak banking sector development and the assessment of prudential conduct in the banking sector as of 31 December 2002 with delay, as the Slovenská záručná a rozvojová banka, a.s., submitted its data later, based on the consent by the Ministry of Finance allowing the bank to submit its 2002 annual financial statements until 30 June 2003.

- The Bank Board of the NBS approved the "Report on the Slovak Banking Sector Development and the Assessment of Prudential Conduct in the Banking Sector as of 31 March 2003.

As at 31 March 2003, there were twenty banks operating in the banking sector in Slovakia (i.e., eighteen banks and two branches of foreign banks) and seven representative offices of foreign banks. Of these eighteen banks there were three home-savings banks. Of fifteen banks with a universal licence, there were eight banks and one branch of a foreign bank with a licence for mortgage banking. The volume of subscribed share capital in the banking sector (excluding the NBS) increased by SKK 1.0bn as compared with the previous quarter, to SKK 39,5bn from SKK 38.5bn.

The total assets (aggregated net assets) of the Slovak banking sector in the first quarter of 2003 decreased by SKK 52.8bn (i.e., by 5.21 %) to SKK 961.2bn. The development of the banking-sector total assets was affected by a decrease in secondary resources by SKK 87.4bn (i.e., by 46.09 %) to SKK 102.3bn. The capital adequacy limit was met by all banks in the first quarter of 2003. Total claims on loans reported by nineteen banks were SKK 349.2bn as of 31 March 2003. Classified claims increased by SKK 0.5bn to SKK 38.8bn, and their share in total claims fell to 11.11%.

Over the first three months of 2003, one on-site examination of a bank was conducted within the follow-up process. Three new examinations started in March in line with the plan of examinations. In the first quarter, NBS Decree No 1/2003 of 28 February 2003 was issued, which amends NBS Decree No. 3/2002 on prudent conduct of banking business and associated reports. The decree amends, to 25 % from 40 %, the limit of the ratio of capital adequacy to own funds of a bank vis-a-vis persons with special relationship to the bank, if the person is a bank registered in the OECD Member State. This decree became effective on 20 March 2003.

On 17 February 2003 the Memorandum of Understanding in the area of the banking supervision cooperation was signed between the National Bank of Slovakia and De Nederlandsche Bank (the Netherlands).

The Bank Board of the NBS took note of the "Information of the Banking Supervision on the Progress in Tasks Set by the FSAP (Financial Sector Assessment Program), EFSAL (Enterprise and Financial Sector Adjustment Loan), Peer Review, and Long-term Supervisory Development Plan, as at 30 June 2003".

- The Bank Board of the NBS approved the draft of the NBS Decree amending the NBS Decree No. 2/2002 on liquidity of banks and liquidity of branch offices of foreign banks and associated rules of safe operations and on reports. The proposed draft decree cancels the specimens of the 7-day Liquidity Report (Annex 3) and of the Report on Assets and Liabilities (Annex 5).

The specimens of the "Monthly Report on Liquidity Indicators" and the "Report on Time to Maturity of Assets and Liabilities" are left unchanged. The draft also harmonizes the reporting term of liquidity indicators with the reporting term of other prudential reports. The submitted draft adjusts the definition of the financial settlement date with regard to the customs of trading in securities.

- The Bank Board of the NBS discussed the report on the fee policy of banks in view of decreased fees currently charged in the inter-bank payment system SIPS. It concluded that, despite room for changes owing to a substantial decrease in fees charged for the transfers between individual banks by the NBS, which has been operating the system since 1 January 2003, the fees charged by commercial banks and branch offices of foreign banks for cashless transfers to their own clients have remained almost unchanged.

- The Bank Board of the NBS approved the NBS Plan of Main Tasks for the second half of 2003.

Press Department of OVI NBS

PRESS REPORTS



Visit of Jean Lemierr, President of the EBOR to the NBS

Marián Jusko, Governor of the NBS, received the visit of Jean Lemierr, President of the EBOR, on July 8, 2003.

Marián Jusko informed Jean Lemierr about the current macroeconomic development in the SR and the NBS activities regarding the accession process to the EMU. They also discussed the issues of the EBOR participation in the infrastructure financing after the SR accession to the EU.

The president of the EBOR Jean Lemierr was interested in the preparatory projects of the joint supervision of the financial market in the Slovak Republic.

Slovakia in the EU – When to Adopt the Euro?

On 10 July, 2003 at the Holiday Inn in Bratislava a professional seminar was held entitled “Slovakia in the EU - when to adopt the euro?” The undertaking was organised by the Centre for Economic Development of the Central European Institute for Economic and Social Reform (INEKO) in co-operation with the Ministry of Finance SR (MF SR) and the National Bank of Slovakia (NBS). The strategy for the SR’s entry into Economic and Monetary Union (EMU) was presented at the seminar by the Minister of Finance Ivan Mikloš and the Governor of the NBS Marián Jusko. The economics community was represented by Peter Gonda, an analyst at the Conservative Institute and Mário Blaščák, an analyst at Ľudová banka. The meeting was attended by members of the professional banking, financial, and academic communities as well as business people and the media. In an open discussion many issues were covered, which in the framework of the public discussion undoubtedly contributed to expanding the spectrum of opinions on this issue and provided impulses for those presenting the strategy.

The Slovak Republic on signing the Treaty of Accession to the European Union in April 2003 undertook also to enter the euro area and thereby replace the Slovak koruna with the euro. According to the NBS, adoption of the euro will mean the full realisation of all the positive effects of integration for the Slovak economy. The process leading to this goal will be based on implementing a series of reforms, which will result in a significant improvement in the quality of the business environment and the creation of conditions for sustainable dynamic economic growth. Reforms connected with the EU accession are a prerequisite for reducing financial and monetary risks and increasing the inflow of foreign



From the left: M. Jusko, Governor of the NBS, I. Mikloš, Minister of Finance, E. Jurzyca, INEKO, P. Gonda, M. Blaščák.

capital. The Government will do all it can to successfully implement these reforms and, in co-operation with the NBS, will take comprehensive measures to prepare the ground for introducing the euro in Slovakia.

According to the NBS and the MF SR, Slovakia should enter EMU as soon as possible, but under the condition that the Maastricht criteria are fulfilled in a sustainable manner. In their view this means realistically 2008 or 2009. According to the central bank the advantages of entry to Economic and Monetary Union lie mainly in the reduction of currency conversion costs for Slovak citizens and businesses and removing the exchange rate risk of the Slovak koruna against the euro. The NBS considers the largest disadvantage to be the loss of an independent monetary policy. As regards the Maastricht criteria, the NBS considers the most important to be those of meeting the set conditions concerning the fiscal deficit, rate of inflation and interest rates.

Photography: P Kochan



Memories of a Ninety Year Old

The governor of the NBS Marián Jusko received the former bank employee Mr. Ondrej Prokeš on the occasion of a rare milestone in his life – his ninetieth birthday. When congratulating Mr. Prokeš, the governor expressed recognition of his generally known and versatile activity in the work and social life of the



employees of the former Slovenská banka and later of the State Bank of Czechoslovakia. Mr. Prokeš retired as an employee of the Všeobecná úverová banka. Together, we outlined his memories...

„The end of the Second World War was also an important historic event in Slovak banking. It inspired especially the young generation to make many changes in a short time, leading to a complete revolution in the life of the Slovenská banka. They especially involved changes, which improved the quality of inter-personal relations in the bank, as well as in work and the results of the bank. It involved culture of the spirit, which brought truth and justice into our activity together in the bank“ recalled Mr. Prokeš. He continued: „One of the ways we attempted to achieve this aim was publication of the first banking magazine „Sami sebe“ (By ourselves), in which I was also involved. In a short time, the editorial team was able to act as the organizers of many aims of the bank. I was responsible for a section entitled „Matrika SB“ (Registry of the Slovenská banka).“ It is known that Mr. Prokeš some-

times also financially supported the publication of the magazine. However, he gave the greatest help to the existence of the banking magazine by gaining the management of the Universum printing company for its production. Shortage of paper was a problem at that time and our specific magazine was produced in small num-

bers. The Slovenská banka was the first bank in the area of care for its employees with activities such as opening a company canteen, organizing volunteers to construct a sports complex in Petržalka and organizing gymnastic events. The strength of our banking lay especially in the fact that we could gain for these activities young people, who could maintain unity with the older people.

Those who know Mr. Prokeš, such as Mr. Návrat, Danko or Jorík, speak of his remarkable willingness to engage in various areas of the social life of the bank. „I like to remember the feast of St. Nicholas. Before 6th December, I found out which bank staffers had small children and lived in the city centre. I visited them dressed as St. Nicholas and gave them presents. The bank staff said I was a nice and good St. Nicholas. Now I am only nice“ smiled the celebrating man. We wish him good health and continuing optimism.

Prepared by: S. Babincová
Photography: P. Kochan

EXHIBITION FOR THE TENTH ANNIVERSARY OF THE SLOVAK CURRENCY

Issuing and caring for the currency is one of the basic functions of the central bank of a country. On the occasion of the tenth anniversary of the origin of the Slovak Republic and the National Bank of Slovakia, the NBS has opened to the general public an exhibition presenting a summary of information on the Slovak currency, covering its origin, development,

production, designs and technical parameters. The exhibition „Ten Years of the Slovak Currency“ was designed and produced by Ing. arch. Katarína Valuškova and Mgr. art. Igor Valuška.

It was ceremonially opened on 8th July 2003 with the participation of the governor of the NBS Marián Jusko, other leading representatives of the central bank and the expert public. It is installed in the entrance area of the new headquarters of the National Bank of Slovakia at ulica Imricha Karvaša 1 in Bratislava.

On the occasion of the ceremonial opening of the exhibition, the results of the competition for the most beautiful Slovak commemorative coin from the period 1993 – 2002 were also announced and the prize was presented to the winner.



The winner of the competition Mgr. art. Patrik Kovačovský (right) receiving the prize from the Governor of the NBS Marián Jusko.

Mgr. art. Patrik Kovačovský won the first prize for designing the 5000 Sk coin with three metals – silver, gold and platinum – on one side, commemorating the beginning of the third millennium. From 1993 to the end of 2002, the NBS issued a total of 44 commemorative coins, celebrating the most important events and personalities from Slovak history, the Slovak localities included in the UNESCO World Heritage List, protected landscape areas and recent landmarks in time.

The exhibition, which aims to contribute to spreading knowledge of the issuing activity of the central bank, is accessible to the public on working days from Monday to Friday, always from 10.00 to 15.00.

Photography: P. Kochan