

## MEETINGS OF THE NBS BANK BOARD

**The 47th Meeting of the Bank Board of the National Bank of Slovakia was held on 11 October 2005, chaired by Ivan Šramko, Governor.**

- The Bank Board of the NBS discussed and approved the Report on the Slovak Banking Sector Analyses Results as at 30 June 2005, worked out by the Banking Supervision of the National Bank of Slovakia. At the same time, the Bank Board took decision on releasing the short version of the Report on the NBS\_s web site.

The aim of the discussion of the document was to consider whether, on the basis of the banking supervision criteria, the banking sector as a whole and banks and branches of foreign banks can be assessed as stabilized. The Bank Board of the NBS finds it necessary to regularly monitor the banking sector development in order to prevent a possible negative impact of development of risks in banks in future, if they were not detected in time. The document will be released on the NBS's web site.

The Bank Board of the NBS discussed and approved the document Public inquiry on artistic designs of Slovak euro coins. The document specifies the deadlines and procedures by which the NBS provides an

opportunity for the Slovak public to express their opinion on the artistic designs of euro coins and give their preference to one of the designs for the national reverse side of euro coins. The Public inquiry will be announced by the NBS in November 2005.

**The 49th Meeting of the Bank Board of the National Bank of Slovakia was held on 25 October 2005, chaired by Ivan Šramko, Governor.**

- The Bank Board of the NBS discussed the Situation Report on Monetary Development in Slovakia in September 2005, and decided on maintaining the current interest rates at unchanged levels, i.e. overnight sterilization rate at 2.0%, overnight refinancing rate at 4.0% and two-week repo tenders with commercial banks at 3.0%.

The Bank Board of the NBS approved the termination of mandate contracts on the basis of which it was assigned to carry out redemption of principals and coupons of government bonds and state rehabilitation bonds. Since 1 January 2006, the above mentioned activity will be carried out by the Debt and Liquidity Management Agency.

**Press Department of the NBS**

## PRESS RELEASE

### SIMPLIFICATION OF THE NOTIFICATION PROCEDURE OF UCITS FUNDS

On 27 October 2005, the Committee of European Securities Regulators (CESR) published a first consultation paper containing proposals for the simplification of the cross-border notification procedure. Through the notification procedure, and on the basis of an authorisation issued in one EU Member State, funds of UCITS (Undertakings for the Collective Investment of Transferable Securities) may be marketed in other EU Member States provided that the respective host authority is notified in the stipulated form. Although it is not possible to foresee to what extent the proposed changes will meet the expectations of asset managers in individual countries, this represents a significant moment for the financial sector in Slovakia given that collective invest-

ment is a strong sector. The CESR expects comments and reactions to the specific questions raised in the consultation paper by 27 January 2006, from both market participants and retail investors. A public discussion will be held at the CESR's premises on the same day.

According to the European Commission's Financial Integration Monitor of 2005, integration in the UCITS fund sector has progressed substantially in recent years. Funds are increasingly offered on a cross-border basis and the number of cross-border notifications increased by 130% in the period 1998-2003. Nevertheless, more remains to be done to further integrate this sector. In response to the concerns expressed by asset managers regarding the way in which the national authorities apply in practice the



requirements of the UCITS Directive, the CESR has focused its attention on developing rules to simplify and streamline the cross-border sale of UCITS funds.

The first consultation paper therefore presents concrete proposals for the common approach to be taken by host authorities in accordance with the provisions of the UCITS Directive. The CESR has agreed on the key principle that the host authority's competences are confined to refusing the marketing of UCITS funds in its domestic market on grounds that the marketing instruments do not comply with the provisions referred to Article 44(1) and Article 45 of the UCITS Directive. This means in practice that other reasons deriving from divergent interpretations on compliance with the Directive cannot be used as a reason to refuse the marketing.

At the same time, Article 44(1) of the Directive requires that UCITS entering the market of another Member state must comply with the laws, regulations and guidelines in force in that state which do not fall within the field governed by the UCITS Directive. Article 44 goes on to state that UCITS have an obligation to observe the provisions governing advertising in the target market and to apply the principle of non-discrimination. In this regard, Article 45 requires that UCITS entering a market must comply with the applicable legislation by adopting measures that allow for payments to be made to fund-holders, for funds to be repurchased and redeemed, and for the information that UCITS are required to provide to be made available.

The proposed arrangements should bring greater transparency and certainty with the aim of avoiding prolongation of notification procedures. They clarify the way in which host authorities should express concerns regarding the compliance of UCITS with the provisions of Article 44(1) and Article 45 of the UCITS Directive. The proposals also include common approaches to the

documentation that must be submitted in the context of the notification procedure and to clarifying the handling of sub-funds of umbrella funds.

The 1985 UCITS Directive (85/611/EEC) introduced a passport for the investment funds harmonised by the Directive. The passport is based on mutual recognition and it enables UCITS funds with valid authorisation to be marketed in any EU Member State on the basis of notification. The host authority is thereby required to recognise the UCITS authorisation conferred by the home authorities. The notification process set out in the Directive does not encompass verification of whether the UCITS complies with the provisions governing the UCITS authorisation. Section VIII of the Directive does, however, provide for the host authority having residual powers and requires the filing of the required documents in a language accepted by the host authority. The UCITS may begin to market its funds two months after meeting these obligations unless the host authority refuses the marketing for any of the reasons mentioned in Section VIII.

The UCITS passport is widely used. Over 29,000 cross-border notifications have been filed. However, the day-to-day operation has in some cases been marked by excessive delays and increasing notification costs. That is why the CESR has decided to build on the progress made under the provisions of UCITS III, which has already contributed to simplifying the notification. The objective is to develop comprehensive standards for notification based on the UCITS Directive. The importance of this work has been underlined by the Commission's Green Paper.

After two decades of divergent national approaches to notification, full harmonisation should emerge to the extent covered by the UCITS Directive.

**Ing. Marek Kačmár, Ing. Nora Boboková,  
Financial Market Authority**

#### Foreign investment companies

	Foreign investment company	Number of sub-funds	Entity in the Slovak Republic serving the operation of the foreign investment company
1.	FUND PARTNERS	44	Československá obchodní banka, a. s., a branch of a foreign bank in the Slovak Republic
2.	KBC RENTA	17	Československá obchodní banka, a. s., a branch of a foreign bank in the Slovak Republic
3.	KBC MULTI CASH	7	Československá obchodní banka, a. s., a branch of a foreign bank in the Slovak Republic
4.	KBC EQUITY FUND	45	Československá obchodní banka, a. s., a branch of a foreign bank in the Slovak Republic
5.	ING (L) RENTA	2	ING Bank N. V., a branch of a foreign bank in the Slovak Republic
6.	ING (L) INVEST	4	ING Bank N. V., a branch of a foreign bank in the Slovak Republic
7.	ING (L) International	1	ING Bank N. V., a branch of a foreign bank in the Slovak Republic
8.	DEXIA BONDS	5	Dexia banka Slovensko, a. s.
9.	DEXIA EQUITIES	3	Dexia banka Slovensko, a. s.
10.	ABN AMRO	59	Across Investment Services, o. c. p., a. s.

Source: Documentation of the Financial Market Authority.

# Central Bank Governors in the HN Club

The main topic of discussion at the HN Club meeting on 10 October 2005 was central bank monetary policy and entry to the euro area. The chief guests were the NBS Governor Ivan Šramko (pictured right) and his Czech counterpart Zdeněk Tůma (pictured left).

Both principal representatives of their national central banks spoke to an audience of representatives from the business and commercial sphere on their respective institutions approach to fulfilling the Maastricht criteria and highlighted problems their central banks must solve in this process.

Governors I. Šramko and Z. Tůma discussed with those present also the effects the accession process to the euro area will have on the business sector and the economic environment as a whole.



Photo: Pavel Kochan

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## Working Meeting of the NBS and Commercial Banks

The Governor of the NBS, Ivan Šramko, and other members of the central bank's management met on 26 October 2005 in the town of Studené with heads of commercial banks operating in the SR.

The aim of the working meeting was to familiarise representatives of the banking sector with the Medium-Term Forecast of Economic Development in the SR, which the Bank Board approved on 25 October 2005. The central bank's management informed its partners also on the current stage in the process of introducing the euro and also on the current issue of the integrati-

on of supervision of the financial markets, which the NBS shall perform as a single supervisory authority from 1 January 2006.

The discussions also covered the possibilities for increasing the transparency of the fee and interest-rate policies of banks. The NBS traditionally arranges this dialogue several times a year with the aim of informing banks' senior managers of all important matters affecting the banking sector.