BIATEC

NÁRODNÁ BANKA SLOVENSKA

Growth of all components of GDP is expected

The NBS Governor Jozef Makúch (tertiary left at photo) presented Prediction of NBS P1Q - 2010 at press conference. Along with him, following persons informed journalists (from the left): Renáta Konečná, General Director of Monetary Policy Department, Peter Ševčovic, former member of the Bank Board of the NBS. The press conference was conducted by Jana Kováčová, Head of Press and Editorial Section of the NBS.

Photo: Igor Plávka

"For all 2009, GDP has decreased in accordance with expectations of the NBS and its quarterly rises from the second quarter denoted a gradual recovery of the Slovak economy, positively influenced especially by export acceleration as well as by restored growth of consumer demand", stated J. Makúch.

"In 2010, a growth of all components of GDP is expected. In comparison with December's prediction, there is only a slight reassessment of growth of economics of SR due to more favorable development of both domestic and foreign demands. There is the expectation of persisting adverse situations in the labor market, while a slight recovery might occur no sooner than the end of year.

A slowdown of inflation in 2009 was more substantial compared to the NBS' forecasts. Development of consumer prices in 2010 should be influenced by slower inflation in the first months of this year, especially due to more substantial decrease of regulated prices of energy and decrease of oil excise tax. Thus, the average inflation has decreased, compared with the previous prediction, "J. Makúch emphasized.

"In 2011, a similar, but slightly higher growth of economics is expected compared with December's prediction, while recovery of foreign demand will continue. Growth in production will gradually become evident also in favourable development in labour market, which may have a positive influence on the growth of private consumption. It is expected that investment activity will rise slightly in 2011, similarly to December's prognosis, which would be also supported by investing in infrastructure in the form of PPP projects.

In actual prognosis, a slight decrease of average year-on-year pace of HICP is expected. However, compared with the previous year, a year-on-year growth of consumer prices would be faster in 2011 as a consequence of development of imported inflation and basis effect in particular components of basic structure of inflation, especially in energy prices.

In 2012, persisting continuation of growth of domestic, as well as foreign demand is expected. Gradual recovery of economic activity will become evident in middle-term horizon in continuing growth of employment, as well as in increasing growth of consumer prices."

Contents

Role and tasks of statistics in Národná banka Slovenska

Statistics as such were influenced considerably by three important events during the relatively short history of Národná banka Slovenska: the entry of the Slovak Republic into the European Union, the integration with the Financial Market Authority and introduction of the common currency – euro.

One of the conditions the Slovak Republic had to comply with when entering the EU was also a requirement to harmonize the Slovak legislation with *acquis communautaire* (community law). *Acquis communautaire* may be defined as a set of acts of law focused on creation as well as functioning of common market of the EU Member States including the Economic and Monetary Union. It is a law system based first of all on legally adopted legislation. Its basic attribute consists in its transnational (supranational) character. This attribute is an expression of the individual Member States´ will to create law, which will be superior to their own law. From the point of view of statistics, this involved harmonizing Slovak statistics with European statistical standards, starting with application of statistical classifications according to the European System of National and Regional Accounts (ESA 95), implementing the requirements of the Eurostat and the European Central Bank into the system of statistical reporting of the NBS. The NBS became an integral part of the European System of Central Banks, which gave reason to membership in the ECB Statistics Committee as well as to participation of the Statistics Department staff members on the activities of its substructures – working groups. At the same time, one representative of statistics in NBS became a member of the Committee for Monetary, Financial and Balance of Payments Satistics, which is a common platform for representatives from the European national central banks statistics departments and directors of national accounts departments from national Statistical Institutes from Europe, the ECB and the Eurostat.

At the beginning of 2006, an integration of the NBS with the Financial Market Authority took place, which resulted in the NBS being responsible not only for the supervision of the banks, but also for execution of supervision over the entire regulated financial market. In order to carry out these activities, it was necessary to ensure collection and compilation of statistical data from other financial market subjects, and primarily from insurance companies, capital market subjects and pension savings subjects. The NBS information system used for collection and processing of the data from the banks and branches of foreign banks was taken as the basis for creation of one similar, or enlarged system, which in parallel ensured collection and processing of the data from other subjects of the financial market.

With the introduction of euro the NBS became an integral part of the Eurosystem. Before entering the Eurosystem it was necessary to implement further ECB requests into the statistical reporting of NBS concerning mainly assembling of historical time series and financial accounts statistics. Together with other central banks of the euro area countries and the ECB, the NBS takes part in the activities that ensure stable monetary development and economic growth of euro area countries.

One of the tasks of the Eurosystem consists also in the collection and compilation of statistics. This task projected itself also into the amended act of law on the Národná banka Slovenska. Tasks in the field of statistics are stipulated in the Paragraph 31 of this act of law. To this group of tasks belongs collection of statistical and other data for securing of fulfilment of the main goal, tasks and activities of the NBS including collection of data for ensuring of fulfilment of the ESCB and the Eurosystem tasks. The NBS takes part in harmonization of procedures and rules, through which the collection, compilation and dissemination of statistical data and other data in the field of its activity are governed.

The NBS collects, compiles and disseminates various kinds of statistical data, which serve first to secure execution of monetary policy, supervision on financial market, financial stability and setting up of balance of payments, international investment position of the Slovak Republic and statistics of foreign direct investments. The compilation of statistics is fully harmonized with the requirements of the ECB and other international institutions.

To collect data required from the banks and branches of foreign banks, the NBS uses the STATUS information system, and for other subjects of the financial market the STATUS-DFT information system. The department of statistics is a proprietor of mentioned information systems and it is primarily responsible for collection, compiling and storage of statistical data from reporting subjects. It provides informatics and methodological support to the users within the NBS, as well as

to the reporting subjects. At the same time, it is responsible for compiling and dissemination of several kinds of statistics.

The activities of the department of statistics may be classified according to the basic types of statistics as follows:
• Monetary and financial statistics
• Statistics of insurance companies, capital market and pension savings
• Statistics of non-banking subjects
• Statistics of financial accounts

In the following articles we would like to present particular types of statistics, their significance and usage.

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Development in the area of monetary and financial statistics

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Národná banka Slovenska

What are the first associations of people regarding the word ´statistics´? Math, probability, numbers, statistical methods... Statistics from the point of view of a central banker also has, however, broader associations given by its position in the structure of the central bank, determined by its link to performing of the bank's main activities. Organizationally, it has long been linked especially to the performance of the monetary policy in the past two years joined by ensuring financial stability. We are here at the beginning of defining the area of statistics of the central bank that has been specified, following several changes in its scope, to be monetary and financial.

1 *Banks and branches of foreign banks active in Slovakia.*
2 *http://www.nbs.sk/en/statistics/ money-and-banking-statistics/ source-statistical-data-of-monetary-financial-institutions/loans http://www.nbs.sk/_img/Documents/STATIST/MET/Bad_Loans.pdf*

THE IMPORTANCE OF MONETARY AND FINANCIAL STATISTICS

Collecting source data, compiling individual types of statistics and their presentation has its purpose. The instruments used on the national level must be of real use not only within the central bank, entities of the financial market on the national level, but currently especially on the level of European statistics. The requested data reflects requirements of users.

Innovation on the financial market and globalisation bring changes in the scope and structure of the statistical data. Impact of the past financial crisis has been substantial. However, not only the need for data as a "prevention" against another global crisis or the need for a more detailed analysis of the behaviour of entities of the financial market and the analysis of the transmission mechanism of the monetary policy, but also the mutual link between the monetary and financial statistics and other areas and the possibility to mutually share the data leads to constant innovation and new requirements. MFS has especially lately been influenced by increasing requirements and by implementing new expectations within Europe.

From the point of view of the European System of Central Banks, the European Central Bank is the main creator and also the main user of these requirements serving for its decision-making in the area of the monetary policy and when fulfilling further functions of the Eurosystem. Consistency among individual statistics and comparability among countries is necessary.

It is also necessary to point out the fact that reporting from the perspective of the national central bank is governed by special rules determined by its purpose. Basically, one may thus speak of reporting by, for example, credit institutions[1] for the purposes of performing bank supervision, as well as for statistical purposes of the monetary policy. Providing data for the purposes of supervision is governed by special legal regulations in the jurisdiction of NBS (Decrees and Regulations). This, however, does not exclude mutual sharing of existing data and methodological cooperation. The structure of reports for the needs of monetary and financial statistics (hereinafter referred to as the "MFS") is not focused on the purposes of performing supervision of the relevant entity and monitoring of prudence in its behaviour. MFS provides detailed information about active and passive transactions of credit institutions and their financing by offered products as well as about the type of clients.

A typical example of the use of a unified methodology, as well as varied presentation of data among guidelines of supervisory bodies and MFS NBS, is the published data regarding what are called the "bad credits"[2] Introducing residual maturity to the original maturity of credits provided by banks to households and to non-financial corporations was also a condition of the financial stability when creating the last ECB regulation regarding MFI balance statistics.

SPECIFICALITIES

The period when individual items of assets and liabilities were described based on corresponding accounting classes, groups of accounts and synthetics, is over. The need to present and analyse data of different scope and structure when compared to the accounting classes led at the beginning of the year of 2002 to the division of what is called the *accounting reporting* and *to the creation of statistical reporting*. The former was and still is most typically represented by e.g. accounting balance (Report of assets and liabilities). For the purposes of MFS what is called "statistical balance" was created. The account classification has thus been replaced by detailed methodology of statistics harmonised with the ECB, by new accounting standards, new structure of reports through Decrees of NBS, Recommendations of the International Monetary Fund, Regulations,

Guidelines, Recommendations, Questionnaires, Manuals and methodological newsletters of the ECB and the International Accounting Standards (IAS/IFRS).

The methodology of monetary and financial statistics is unique in that it introduces so-called categories of financial instruments. It always follows the balance principle and therefore we speak of individual categories of assets and liabilities. It may simply be presented as purposeful aggregation, classification and sorting of accounting items. For statistical reporting, it is not enough to report the numerical value only. Individual sums acquired from the accounting systems need to be associated with more detailed classification according to maturity of individual instruments, types of products, currency, country and economic sector of the counterpart. Aggregates created this way may then be presented through economic categories.

One example of such methodology is the line of receivables of domestic monetary financial institutions may be taken. This line is a part of the asset category of the consolidated statistical balance that is the foundation for compiling monetary aggregates (M1, M2 and M3) and the counterparts of M3. It is made up of credit receivables and non-marketable securities. The content of these two sub-categories is specified in a greater detail in the methodology of monetary statistics that is not the focus of this article, but in the case of non-marketable securities, the term not usual for other types of reporting is evident. Also, the term "consolidation" when arranging the statistical balance in order to calculate monetary aggregates means a procedure mutually excluding positions of monetary financial institutions and not reporting of data by the mother company also for its daughter companies. A more detailed explanation may be found on the NBS website.[3]

For arranging of monetary aggregates and counterparts of M3, MFS uses the nominal value. The methodology defines e.g. classification of accounts of time differentiation under the line ´Other assets and liabilities´. Statistics of financial accounts of the euro area, as well as the balance of payments prefers using the time differentiation together with the corresponding instrument. The category of liabilities ´Capital and reserves´ contains for the purposes of MFS reporting adjusting entries that are traditionally reported e.g. for the purposes of supervision individually to each corresponding line on the asset side.

Domestic monetary financial institutions (MFI) are a group of entities of the economy defined in line with the ECB regulations for the purposes of MFS. It represents all domestic credit institutions and money market funds entering reporting of balance sheet statistics.

What is typical for MFS is the presenting of this data for individual economic sectors. Briefly said, all entities starting from households, and entrepreneurs through manufacturing factories, hospitals, state institutions and further entities

active in country's economy as well as outside of its borders are classified based on related features into economic sectors and sub-sectors.[4] From the perspective of monetary statistics, individual economic entities may be classified into sectors "money creators" and "money holders".
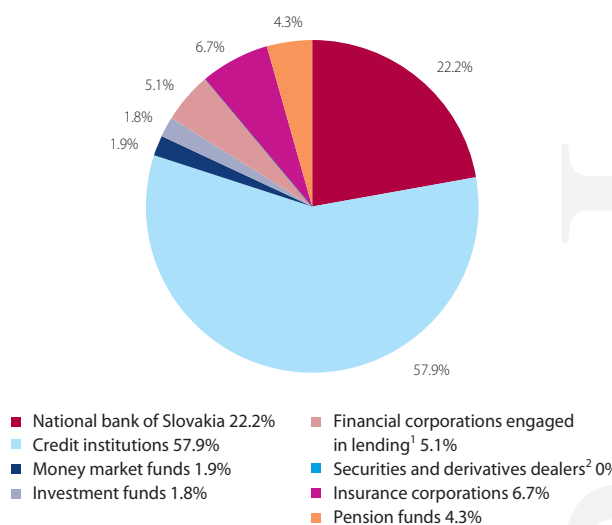
Based on the data of these entities, it is also possible to divide created statistics into further areas, e.g. for entities of monetary nature (money creators), non-monetary nature, financial agents, neutral sector (government). Statistics compiled based on the reporting entities provide a partial view of their financial flows. It is important to mention that MFS represents the statistics of residential (domestic) reporting entities with the centre of their economic interest being in the territory of Slovakia.

Currently, data is provided by credit institutions, the central bank, asset management companies and consequently investment funds administered by them, factoring companies, leasing companies and consumer credit companies. Based on their data, individual statistics are compiled. The number of reporting entities varies (starting from 27 credit institutions to 41 investment funds) in light of the reported total assets their share is shown in the Chart 1. The State Treasury, Centrálny depozitár cenných papierov SR (Central Securities Depository of the Slovak Republic) and Burza cenných papierov Bratislava (Bratislava Stock Exchange) are individual data sources.

The monetary and financial statistics may be divided into the following areas:
- Balance statistics of MFI
- Interest rate statistics of credit institutions
- Long-term interest rate statistics
- Securities statistics

Chart 1 The share of reporting entities on the assets as of 31 December 2009

- National bank of Slovakia 22.2%
- Credit institutions 57.9%
- Money market funds 1.9%
- Investment funds 1.8%
- Financial corporations engaged in lending[1] 5.1%
- Securities and derivatives dealers[2] 0%
- Insurance corporations 6.7%
- Pension funds 4.3%

Source: NBS.
1 Leasing companies, factoring companies and consumer credit companies, 2 Securities and derivatives dealers licensed in line with the Act No. 566/2001 Coll. not being a bank, subsidiary of a foreign bank, an asset management company, nor a subsidiary of a foreign asset management company.

- Statistics of assets and liabilities of investment funds
- Statistics of other financial intermediaries

The compiled data is presented as the status of the end of corresponding referential month and quarter (statistics of stocks/outstanding amounts), net transactions (statistics of the flow), annual growth rates and interest rates. More detailed information is provided in the following individual parts.

A BIT OF HISTORY

The origin of the present form of monetary and financial statistics in NBS goes back to the period of years between 2002 and 2007. The process of national methodology harmonisation, especially with accession requirements of the ECB, logically led to a gradual unification of the department of bank statistics (so called crown statistics) and foreign exchange statistics (so called foreign currency statistics) with the then-Department of Statistics for International Institutions.

Being an accession country, we have started to report the first harmonised data within the ECB/ESCB since 2002. When presenting data for MFS, it was, however necessary to differentiate data compiled according to the national methodology and according to the methodology harmonised with the ECB. Data for harmonised interest rate statistics was accepted to our national methodology since the beginning of its reporting for the ECB. In the year of 2005, by abandoning the evaluation of monetary aggregates and their counterparts based on our national methodology, the process of harmonisation in Národná banka Slovenska was finalised and data compiled for MFS follow-ing the ECB methodology adopted also for the national concept of evaluating the monetary development.

THE LINK BETWEEN NBS AND THE ECB/ESCB

From the following scheme, the link between MFS and other areas of activities of the central bank is clear. Data for individual areas of MFS (MFI, investment funds, other financial intermediaries) are partial source data for compiling of financial accounts of the euro area. Data for monetary aggregates, counterparts of M3, for deposits and credits are a basis for the monetary policy and analysis of the development on the financial market. The statistics of payment systems share a common methodological concept with MFS when presenting data. The calculation of the reserve basis and the development of minimum reserve requirements are not possible without the methodology and data of MFS. Financial stability and analysis of the development on financial market also follow the development of lines methodologically meant and compiled for MFS. Statistical financial indicators are compiled in cooperation with the supervision and MFS.

As an example of the mutual link, the solution (on the level of the ECB/ESCB) of clear classification of derivates within structured products and discussion on key criteria for including financial instruments, such as derivates/securities/shares/credits may be provided. At the first glance this seems to be a clear classification, however, based on innovation of some products on the market, it is a subject of discussion between MFS, statistics of financial accounts of the euro area and the department of the balance of payments.

Mutual link of MFS within NBS departments to the ECB and international institutions
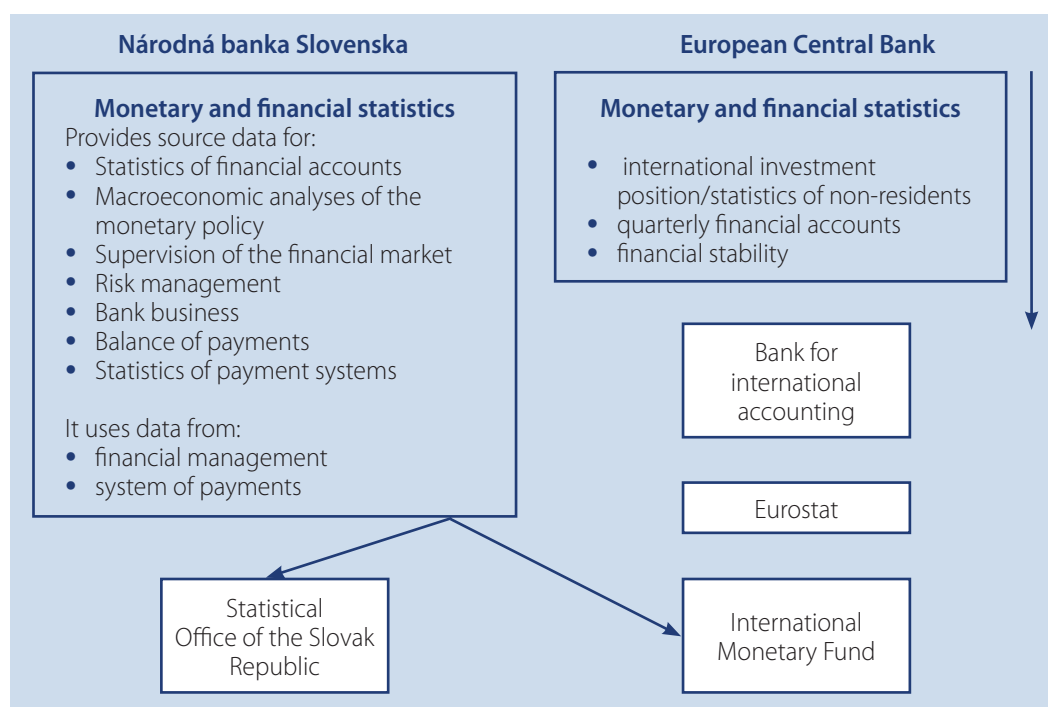
Equally, the system of collecting data on the basis of individual securities, which is called the *security-by-security system (s-b-s)*, being a part of the project of the central database of securities of the ECB for the part of securities issued and owned by individual entities, represents a mutual link of the ECB/ESCB statistics. The MFS department participates in the inspection of the quality of the national data in this database in cooperation with the department of the balance of payments and the statistics of financial accounts. Reporting on the s-b-s basis is connected with the supervisory body and with the use of mutual source data.

THE PROCESS OF COLLECTING SOURCE DATA

The right to request data needed in order to compile individual monetary and financial statistics from reporting entities is stipulated by the Act on NBS[5] and by the Act on Banks[6]. Based on relevant provisions of these two acts, it is possible to collect national data in a wider scope than of the basic requirements stipulated in the ECB regulations.[7]

The indicated acts enable NBS to issue decrees describing in detail the requirements on data, data periods, and method of their submitting. Preparation of such material is a lengthy procedure representing harmonisation of all internal and external requirements on the structure of reports that serve as the data sources for compiling of the individual statistics. One may say that the unification of requirements of the ECB and NBS significantly increases the unification of the extent of requirements for national use.[8]

Requirements on the data are drafted in cooperation with the Association of banks, the Slovak association of asset management companies, the Association of leasing companies, the Association of consumer credit companies and the Association of factoring companies.

Within the ECB/ESCB, legal standards are created on the level of the ECB Working Group for Monetary and Financial Statistics. To include new requirements of users in the ECB legal standard for the area of MFS means that each central bank needs to undergo what is called the "Merit and Cost Exercise" evaluating the relevance of the requirement, availability, significance as well as cost-effectiveness on the part of reporting entities.

THE MEANING OF THE TRANSITION TO EURO

Prior to entering the euro area, the preparatory works in 2008 were facilitated mainly by gradual harmonisation harmonization of the national statistics in line with regulations, guidelines and methodological instructions of the ECB in previous years. New to the process was the introduction of statistics of issued securities, until then not requested of the EU accession countries. Their data was also included in the 2008 Convergence Report as one of the four indicators in the area of financial integration and development. The requirement for the area of securities was later an impulse for the preparation of an internet s-b-s based database.

The first transfer of data for January 2009 meant meeting the criteria for statistics itself (database and methodology) as well as technical preparedness. Both were subject to the ECB evaluation on the level of bilateral negotiations. In 2008, new ECB[9] requirements for compiling balance and interest rate statistics of MFI succeeded to be incorporated into the Decree of the NBS[10] .The decree came into force in January 2009 and set the requirement to submit new distribution as of January 2010. Reporting entities had thus enough time to prepare for the new requirements and we were also able to focus exclusively on activities related with the input, such as testing of new systems between NBS and ECB, transferring the data into the database kept only in the euro currency and creating required time lines.

For balance statistics, interest rate statistics, monetary aggregates and counterparts, it was required that data for three years preceding to our accession be compiled and sent to the ECB and in the structure of the euro area countries. For the purposes of conversion of reported data in Slovak crowns the official exchange rate for all historic timelines was used.

From the methodological point of view, as a result of accessing the euro area, a change of the residential approach to data classification according to sectors of the counterpart occurred. Not only entities representing Slovakia (domestic), but also for other member countries of the euro area started to be classified as residents. From the aspect of aggregates for the euro area, data for Slovakia was shifted from the sector "the rest of the world" to "euro area member states".

As of January 2009, the methodology of compiling monetary aggregates and counter-items M3 has been impacted. Our national aggregates started to be labelled as the national contribution to the euro area aggregates.

STATISTICAL INFORMATION SYSTEMS

For the purposes of collecting and processing of data, Národná banka Slovenska uses its own information system based on the Lotus Notes platform cooperating with the Oracle Express database. In order to compile outgoing statistics for the ECB and for the purposes of presenting, VBA applications are used. Transfer to a new system of data collecting and processing through the Internet is being prepared and planned to be implemented in the year of 2013.

The transfer of data under the competence of MFS to the ECB is performed in two formats: XML (data transfer for RIAD[11]) and GESMES/TS. Sending takes place using the EXDI or EDX (E9) interface that is a part of the ESCB-net.

SUMMARY

The aim of this article was to present the scope of MFS, to demonstrate the basic principles when compiling individual statistics, the scope

5 The Act of the National Council of the Slovak Republic No. 566/1992 Coll. on the National Bank of Slovakia as amended.
6 The Act No. 483/2001 Coll. on Banks and on amending and supplementing certain acts as amended.
7 The legal framework of the ECB for the area of MFS is divided into two types: regulations addressing the requests directly to the reporting entities in the countries of the euro area (credit institutions, shares funds, post office giro institutions, of companies of special focus dealing with securitization transactions) and guidelines dealing directly with national central banks exceeding the framework of guidelines. E.g. the guidelines stipulate the obligation of NBS to submit additional data for securitization of credits and other credit transfers, to monitor the quality of the central database of securities of ECB and national databases in relation with s-b-s reporting, to submit data on credit MFI provided to non-financial corporations, to submit control of consistency between accounting balance of the NBS and statistical balance for NBS. Equally, all requirements for the statistics of other financial intermediaries (apart from IF) are subject to ECB guideline.
8 Requirements on the data are drafted in cooperation with the Association of banks, the Slovak association of asset management companies, the Association of consumer credit companies and the Association of factoring companies.
9 http://www.nbs.sk/en/statistics/money-and-banking-statistics/legal-framework
10 The Decree of the NBS No 26/2008 on submitting of reports by banks, branch offices of foreign banks, securities dealers and branch offices of foreign securities dealers to the NBS for statistical purposes.
11 Register for institution and database of eligible assets.
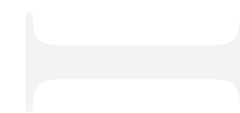
of the data base and link to main activities of the central bank, as well as the position within the ECB/ESCB.

Detailed information and data for the individual areas of MFS are regularly made available to public on the NBS website in the part Statistics. Partial data is included in commentaries and analyses of the NBS reports on financial stability, analyses of the Slovak financial sector, Monthly Bulletins etc.

Balance sheet statistics of monetary financial institutions

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Balance sheet statistics collect data concerning financial[1] and non-financial assets and liabilities of monetary financial institutions (MFI). Structure and content of collected data, as well as who constitutes the group of reporting entities (MFI sector), is specified in the ECB regulations[2]. Data is collected for monthly balances (volumes) and non-transactional changes in volumes of assets/liabilities at the end of corresponding month.

SECTOR OF MONETARY FINANCIAL INSTITUTIONS

Subjects are assigned into this group according to financial liabilities, which they issue. A relatively comprehensive definition, on the basis of which is the selection of subjects performed, is located in the ECB directives. According to this definition, the MFI group constitutes of central banks, credit institutions[3] (including the electronic money institutions) and other monetary financial institutions, which satisfy the definition of monetary financial

counterparty[6], original maturity, or denomination of financial instrument, in such a way as to enable quantification of monetary aggregates, provided loans in the broader sense, and reserve base[7].

The main categories of asset instruments are cash, loans, equity and debt securities, fixed assets and other assets. Categories of liabilities are divided into currency in circulation, deposits, issued debt securities, issued money market fund shares/units, capital and reserves, and remaining liabilities.

MFI structure for Slovakia

	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Feb. 2010
Total number	30	27	33	34	38	40	40	41
Národná banka Slovenska	1	1	1	1	1	1	1	1
Credit institutions total	22	21	23	24	26	26	26	27
Of those: Banks	19	18	18	17	16	17	15	15
Branches of foreign banks	3	3	5	7	10	9	11	12
Monetary market funds	7	5	9	9	11	13	13	13

Source: NBS.

nancial institutions. Central banks are responsible for creation and updating of the MFI list. MFI list for Slovakia is published through the websites of NBS, and also the ECB, where lists of all EU countries are located. The first MFI list for Slovakia was assembled in 2003. The list is consistent with the reporting subjects since 2004, because 2004 was the first year when the data was provided also by money market mutual funds. Structure and number of MFI is stated in the table. Although the table implies that branches of foreign banks[4] and money market mutual funds the largest increase in quantity, their share on the total MFI assets is not rising.

CONTENT OF BALANCE SHEET STATISTICS

The content of balance sheet statistics is made of MFI balance data precisely structured according to financial instrument, economic sector[5],

Counterparties are structured according to country into three main groups: "euro area – domestic", "euro area – other residents" and "residents – rest of the world". This structuring is not conditioned by the fact that the main presentation of data is for the euro area as a whole. According to the economic sector of the counterparty, the entities are divided into the MFI sector, general government sector and so-called private sector[8], also referred to as other residents. Structuring into sectors is performed on the basis of nature of main activity, which given subject performs. In Slovakia, the reporting entities have the statistical register of organizations[9] available, which however includes only information on domestic entities, therefore information on economic sector of entities from other euro area countries are missing. For rectification of this absence serves a publication called Guidance for classification of entities into eco-

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1 Financial assets/liabilities represent a claim of a creditor/obligation of a debtor to accept/make a payment under terms specified in a contract between creditor and debtor.
2 Regulation (EC) No 2423/2001 of the ECB of 22 November 2001 concerning the consolidated balance sheet of the monetary financial institutions sector (ECB/2001/13) valid until the end of June 2010, Regulation (EC) No 25/2009 of the ECB of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector (Recast) valid since 1 July 2010.
3 Specified in article 4, section 1 of Directive No 2006/48/ES.
4 Under branches of foreign banks are included savings and loan institutions as well.
5 Groups of specific economic sectors as well as description of economic units, which constitute them, is specified in the Council Regulations (EC) No 2223/96 of 25 June 1996 on European system of national and regional account in the Community (ESA 95.)
6 Subjects representing MFI creditors and debtors.
7 Monetary aggregate indicators and indicators of provided loans in the broader sense are assembled in such way as to contain also balance sheet entries of subjects, the development of which is related to the development of inflation and economic growth. On the basis of this, a MFI group and composition of indicators is defined. Loan provision in the broader sense is understood not only as providing of a loan, but also possession of securities (equity and debt). Another indicator is the reserve base which serves for calculation of mandatory minimal reserves.
8 Private sector according to ESA 95 is made of other financial intermediaries, financial auxiliaries, insurance companies and pension funds, non-financial corporations, households and nonprofit institutions serving households.
9 Statistical register of organizations is prepared by Statistical office of the Slovak Republic.

Chart 1 Development of volume of assets according to individual MFI groups (EUR millions)

Banks   Branches of banks   NBS   Monetary market mutual funds

Source: NBS.

10 *http://www.ecb.int/pub/pdf/other/ mfimarketstatisticssectormanual20 0703en.pdf*

11 *Decree of NBS No. 26/2008 of 16 December 2008 on submitting of reports by banks and branch offices of foreign banks to the NBS for statistical purposes.*

12 *Products consisting of two and more instruments, usually one debt instrument and one derivative.*

13 *This is an innovation only for the ECB publishing. In Slovakia, individual data for money market mutual funds are being published since 2004.*

14 *Exact methodology of monetary aggregates is available on NBS and ECB websites.*

15 *The bank claim entry is understood as credit claims and possession of unmarketable securities.*

16 *Structure of indicators is available on the NBS website.*

17 *With regard to Slovakia's entry into the euro area, the method of publishing was made stricter. The presentation of summaries on monetary aggregates and their counter entries should be identical with the ECB method of publishing. National central banks may publish more detailed data. However, this presentation must be appropriately labeled, so it can be clearly distinguished from the main ECB presentation.*

18 *For example volumes for debt securities issued by monetary financial institutions in the overview on national contribution to monetary aggregates of the euro area are negative in long term. It results from the method of calculation, where debt securities of the entire euro area are subtracted from the debt securities issued by domestic MFI. This information speaks about the fact, that the domestic MFI have more securities emitted by euro area MFI in their possession, than they emitted themselves.*

nomic sectors for needs of monetary and financial statistics[10]. If the preceding is a title, more words should be capitalized. All central banks of the European Union contributed to this publication, which contains brief description of content of sectors by describing model institutions, and a list of most typical representatives from individual countries.

Data on volumes and categories of instruments are obtained from accounting records of banks and money market funds. However, statistical and accounting regulations are different from one another in many ways. One example that can be noted is the use of different evaluative parameters (nominal value for loans, deposits), or separate monitoring of temporal distinction of interest rates from relevant instrument, detailed segmentation of customers according to economic sectors, or a priority of classification of assets and liabilities according to the type of financial instrument. Therefore, it is necessary for the reporting entities to include additional detailed structuring of accounting information into their accounting, in such a way as to enable acquisition of data usable for statistical purposes.

As we stated earlier, data are collected for needs of development analysis. Data expressing transactions with individual financial instruments serve this purpose. Transactions express the changes of ownership or payment of assets or acceptance/ settlement of obligations. The volume of transactions is calculated as a difference of balances of two successive periods minus the volume concerning the change in balances that are not related to transactions. Therefore, it is necessary to collect volumes expressing non-transactional changes. Non-transactional changes are meant as increase or decrease of asset/liability entries for the following reasons:

1) Change of valuation of entry (revaluation)
2) Write-off loans
3) Changes of exchange rate on assets/liabilities denominated in a currency other than the one in which the data are represented.

4) Changes in category of assets/liabilities, maturity or sector of counterparty, which are not a transaction.

As the data requirements are defined for all euro area countries, more specifics are often necessary, with regard to national practice and accounting standards of given country, of course in tandem with close cooperation of the reporting entities. NBS defines the reporting requirements through measures[11] and methodical directions.

The content of balance sheet statistics is not stable. It expands due to innovations of traditional products offered by MFI, and changing economic environment. These changes brought, for instance, new detailed reporting on for the area of securitization of loans, or inclusion of reporting of so-called hybrid instruments[12]. Out of newer requirements for reporting, we can mention extension of structuring of "bank claims" entry by syndicated loans, loans with collateral in the form of real property, revolving loans and overdraft, credit card loans, loans with original maturity over 1 year in structuring according to remaining maturity and changes of interest rate.

PRESENTATION OF BALANCE SHEET STATISTICS

MFI balance sheet statistics are published in a form of simplified statistical balances for:
• National central bank – balances,
• Aggregated balance for MFI without central banks – balances,
• Consolidate balance for entire MFI sector – balances and transactions

One innovation is individually presented balance sheets of money market funds – balances.[13]

Analytical presentation of MFI balance sheet statistics is published in the form of summaries of monetary aggregates[14] and their counter entries, and summaries of bank claims[15]. Summaries contain indicators such as monetary aggregates, financing of public administration and private sector, long-term financial liabilities emitted by MFI or net foreign assets[16]. For every individual indicator, its balance, transaction and inter-annual growth rate is stated. Analytical presentation of data comes from the consolidated balance sheet. Through consolidation, those claims or liabilities where MFI is the counterparty are excluded from balances of individual assets/liabilities.

Data are published with the main structuring of counterparties into the euro area entities and rest of the world; therefore, data on domestic counterparties[17] are missing. Summaries concerning domestic MFI are published as a National contribution to consolidated balance sheet of the euro area, National contribution to monetary aggregates and counter entries of M3 aggregate of the euro area. By summing up the national contributions, the indicators for entire euro area are obtained. Considering that individual national contributions are only a segment, this fact must be acknowledged during utilization or interpretation of values on the national level[18].

In the statistical presentation for Slovakia is an entry on currency in circulation. This entry includes the issuance of euro banknotes besides issued Slovak banknotes, coins and euro coins. However, the volume that is published for euro banknotes does not represent actually NBS banknotes, but the share of NBS on the total euro area of euro banknotes[19].

This description of balance sheet statistics is just a brief outline of supporting pillars of acquisition and presentation of statistics. A detailed description of what is collected, and how, is available on the NBS website[20].

19 *This volume is determined on the basis of „key for note allocation". For Slovakia, the determined key was 0,9140% on entire issuance of the Eurosystem, which is determined in Decision ECB/2008/26.*
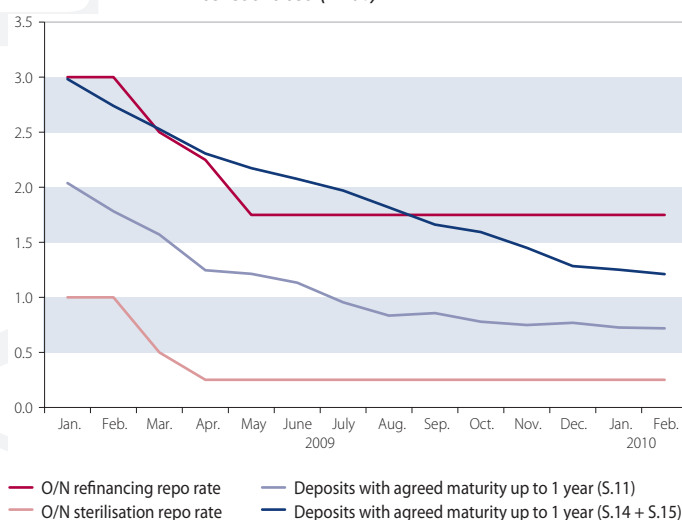20 *http://www.nbs.sk/sk/statisticke-udaje or ECB http://www.ecb.int/stats/html/index.en.html*

Interest rate statistics of monetary financial institutions

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Analysis of interest rate development gives users the opportunity to observe a transfer of changes of official central bank interest rates and market rates onto interest rates of loans and deposits, which the monetary financial institutions apply towards their clients (Chart 1). Information concerning the speed and extent of this transfer is necessary for understanding the influence of monetary policy on the economy.

Chart 1 Development of rates of interest on deposits of household (S.14 + S.15) and non-financial corporations (S.11) compared to the official ECB interest rates (in %)

Legend:
- O/N refinancing repo rate
- O/N sterilisation repo rate
- Deposits with agreed maturity up to 1 year (S.11)
- Deposits with agreed maturity up to 1 year (S.14 + S.15)

Source: NBS.

Chart 2 Comparison of development of Annualised Agreed Rate (AAR) and Annual Percentage Rate of Charge (APRC) in consumer credit of households (S.14 + S.15) (EUR thousands, in %)

Legend:
- Consumer credit – stock
- Consumer credit – AAR
- Consumer credit – APRC
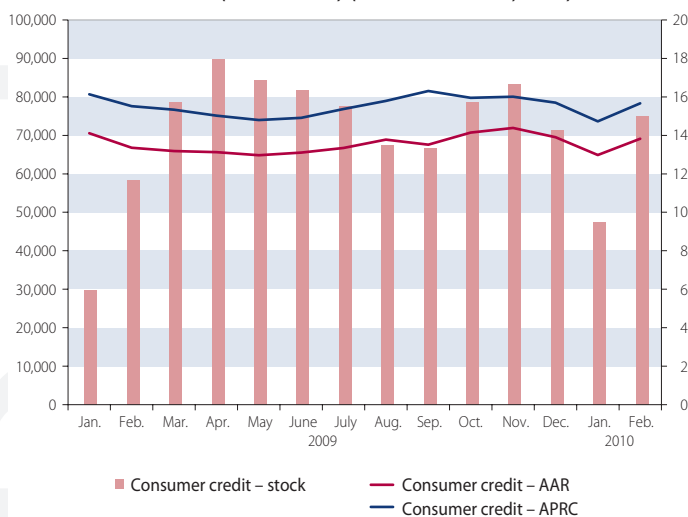
Source: NBS.

To ensure the comparability of statistical data concerning MFI interest rate statistics presented by national central banks of the ESCB countries, it was necessary to harmonize the national methodology of statistical data assembly with the requirements of the ECB. The process of methodology harmonization for national statistics has been in progress since 2002. Since the date of the admission of the Slovak Republic into the European Union in 2004, Národná banka Slovenska has assembled the statistics of MFI interest rate statistics in compliance with the requirements applied by the ECB for the euro area and the ESCB[1].

Unlike the balance sheet statistics, statements of interest rate statistics are submitted only by banking/credit institutions. Money market funds are not obliged to do this. Reporting subjects submit monthly statements of interest rate statistics on the basis of current Decree of the NBS[2] through the STATUS information system. Statements of interest rate statistics cover two main areas: interest rate statistics of loans and interest rate statistics of deposits. Both of these areas are structured into interest rate statistics on outstanding amounts (OA) and interest rate statistics on new business (NB).

MFI interest rate statistics on outstanding amounts include stock (balance outstanding) of all MFI loans, which were provided but not yet repaid by clients, as well as stock of all deposits deposited and not yet withdrawn by clients during all periods until the date of statement compilation (reference period). The sorting criterion of stocks is maturity of loans and fixed-term of deposits according to individual sectors of economy. The view of sector structuring changed since the admission of SR into the euro area. Before admission, the structuring was according to the individual sectors of national economy. After the admission into the monetary union, classification of subjects into sectors within the entire euro area was pursued. For example, into the sector S.11 – non-financial corporations, belong domestic non-financial corporations together with non-financial corporations from other participating member states of euro area. MFI interest rate statistics on

outstanding amounts have been collected under NBS terms since its establishment in 1993.

MFI interest rate statistics on new business include all loan and deposit agreements concluded between MFI and clients during the entire reference period, which is one calendar month. It includes all commercial agreements which set the interest rate of a negotiated transaction for the first time, as well as all new negotiations of existing agreements, which are performed with the active participation of a client, where such change of terms of commercial agreement occurs which has an influence on the interest rate.

MFI interest rate statistics on new business collect the real interest rates in individually negotiated agreements at the time of conclusion of an agreement. The determining classification criterion in new loans is the initial fixation of the interest rate. It's a predetermined time period in the beginning of an agreement, during which the interest rate value does not change.
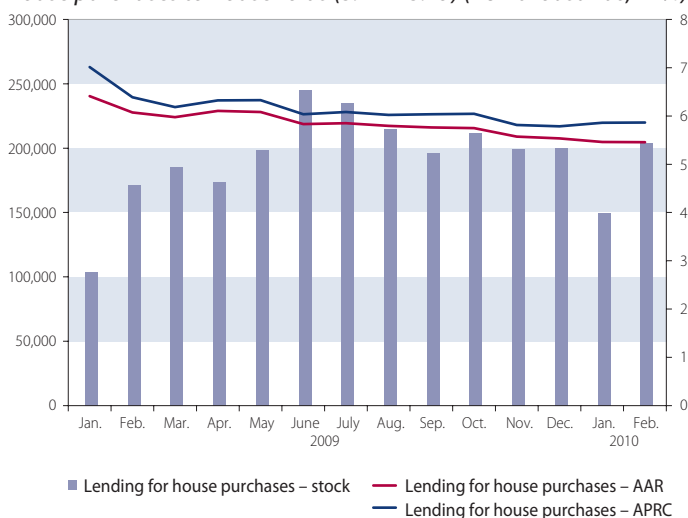
MFI interest rate statistics on new business were included in national methodology gradually since 2003 (deposits first, and loans since 2004). Since then, national methodology has been monitoring current interest rates through the statements on announced interest rates of deposits and loans, and statements on interest rates of drawn loans. But this information was not complex. Announced interest rates were declared by banks on the following period, and the information on actually realized transactions and their volumes was missing. In case of interest rates of drawn loans the view of current rates of interest was distorted, for reason of mixing interest rates of new loans with interest rates of loans provided in the past and drawn in the reference period. Now, the concept of new business records the actual interest in the reference period with corresponding volumes of new business.

In OA as well as in NB, the agreed rates are recalculated into annual base (p.a.). The method of calculation[3] is specified according to the periodicity of interest crediting (capitalization). This adjustment ensures comparability of rates of interest. Interest rates calculated in this way are called annualized agreed rates (AAR).

MFI interest rate statistics of new loans observe the development of annual percentage rate of charge (APRC) which is related to consumer credits (Chart 2) and loans for house purchases (Chart 3) for household sector (S.14 + S.15). Annual percentage rate of charge for consumer credits is defined the national legislation[4] and EU legislation[5].

The conception of annual percentage rate of charge was for purposes of the ECB/ESCB statistical reporting extended by observing APRC in relation to loans for house purchases. APRC represents total costs of the loan for a client, including the element of interest rate and the element of other related costs, e. g. the costs of finding information, administration, paperwork preparation and so on.

Chart 3 Comparison of development of Annualised Agreed Rate (AAR) and Annual Percentage Rate of Charge (APRC) in lending for house purchases to households (S.14 + S.15) (EUR thousands, in %)

Source: NBS.

Statistical data on MFI interest rate statistics are collected for categories of financial instruments, which the balance sheet statistic defines, and not for individual products. National methodology retained the broader monitoring of interest rates, however. In the case of loans, it's the more detailed structuring of loans for house purchases. Interest rates and volumes of individual types of loans for house purchases are reported separately, into "mortgage loans" that are reported by banks with a license for provision of mortgage loans, "loans and bridging loans" of building savings banks, and category "other loans for house purchases." Another detailed structuring is related to the entry "overdraft and revolving loans" where we especially monitor the interest bearing of current account. Also interesting is separate reporting of interest bearing of credit cards. For deposits, it's a more detailed structuring of fixed-term deposits according to the maturity date, especially in the interval of up to one year.

Rates of interest, which the specific subjects report, represent weighted arithmetic average of all transactions, which the bank performed in the given category of loans/deposits within the corresponding maturity/initial fixation of rate, classified into corresponding economic sector.

Since the beginning of 2010, the reporting in the area of new loans was extended for new classification into loans with a collateral and/or guaranty, and non-guaranteed loans. This new structuring is related to the update of the ECB directive[6], which should help in obtaining harmonized data on the euro area level and simplify comparisons between individual countries.

Information on development of interest rates is published on the NBS website in the form of time series for selected indicators[7] and in the form of monthly statements[8]. They are among the most requested data by analysts and general public.

3 http://www.nbs.sk/en/statistics/ money-and-banking-statistics/interest-rate-statistics/banking-interest-rates-statistics-deposits

4 In Act no. 264/2006 which changes and amends Act no. 258/2001 on consumer credit and on changes and amends of Act of Slovak National Council no. 71/1986 Law Coll. on Slovak trade inspection as amended, and on change of Act no. 634/1992 Law Coll. on consumer protection.

5 Council Directive 87/102/EEC of 22 December 1986 for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit.

6 Regulation (EC) No 290/2009 of the ECB of 31 March 2009 amending Regulation (EC) No 63/2002 (ECB/2001/18) concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations (ECB/2009/7).

7 http://www.nbs.sk/en/statistics/ money-and-banking-statistics/interest-rate-statistics

8 http://www.nbs.sk/en/statistics/ money-and-banking-statistics/ source-statistical-data-of-monetary-financial-institutions

STATISTICS OF LONG-TERM INTEREST RATES

One of the convergence criteria stated in the Maastricht treaty and in the Protocol on the convergence criteria is a criterion on long-term interest rate.

The basis for evaluation of fulfilment of this criterion is daily reporting of yields to maturity, of a chosen long-term government bond and its average monthly yield. Necessary data is obtained in cooperation with free market operation department from documents of the Bratislava Stock Exchange. Regularly each half year are the characteristics of long-term government bonds updated into top 5 in terms of liquidity and, top 5 in terms of outstanding amounts. Interest rates for selected government bonds, as well as daily yields to maturity of the government bond, which serves for evaluation of fulfilment of convergence criterion of long-term rate of interest, are published on the NBS website[9].

Statistics on other financial intermediaries

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Statistics on other financial intermediaries have the aim of providing a more comprehensive picture of monetary developments in the financial market, and on the basis of balance sheet data observe financial intermediation outside of the monetary financial institutions sector.

Other financial intermediaries – except for insurance corporations and pension funds (hereafter referred to as OFI) – sector S.123 – is defined by the European system of national and regional accounts (ESA 95)[1]. OFI are predominantly engaged in long-term financing, which is the difference between sector S.123 and S.122 (MFI).

We classify the following into sector S.123[2]:

1. Mutual funds other than money market funds (hereafter referred to as investment funds)[3]. Those are subjects of collective investment, which concentrate financial resources of investors for purpose of acquisition of financial or non-financial assets.

2. Financial corporations engaged in lending. Those are subjects that deal with provision of loans and credit to non-financial companies and households in a non-banking manner. Among these are companies dealing with financial leasing, factoring, consumer credit and provision of personal and commercial financing.

3. Securities and derivatives dealers. Those are financial companies that deal mainly with securities trading on their own account with the aim of making profit from the margin between costs of acquisition and sale price.

4. Financial holding corporations. These are corporations, which only control and manage a group of subsidiaries principally engaged in financial intermediation and/or in auxiliary financial activities, but which are not financial corporations themselves.

5. Financial vehicle corporations dealing with securitization transactions. They are so-called risk-bearing companies created solely to be holders of securitized assets, which were removed form the balance sheet of the company under the objective of restructuring of given units.

OFI statistics were initially created on the basis of information collected by national central banks in line with the so-called short-term approach. This approach, according to the ECB, was based on provision of current data if it was available. It was acceptable to replace missing data with estimates, and the data collection was supposed to focus on the subcategory of investment funds as the most important subcategory of OFIs within the euro area.

In 2005, the ECB extended its requirements within the frame of the so-called stable approach by specifying unified requirements of statistical data reporting within the ESCB, with the aim of preparing fully harmonized package of statistical reporting for the entire OFI sector. This caused an extension of requirements for given sector in accordance with stocks and flows statistics, required for MFIs (mainly banks, branches of foreign banks and money market funds).

Another important step in this area was adoption of the ECB regulation[4] concerning statistics on the assets and liabilities of investment funds in 2007, and of the ECB regulation[5] concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitization transactions in 2008.

Activities performed by OFIs are similar to activities that are performed by MFIs and they are also complementing them. As the balance sheet data on OFIs for ECB statistical purposes, which are in total or partial ownership of MFIs are not included into MFIs balance sheets, statistical data concerning OFIs must be collected separately, to complete the statistical picture of the euro area.

1 OFS are financial corporations and quasi-corporations which are principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits from institutional units other than monetary financial institutions, or insurance technical reserves.
2 Only the first three of five mentioned groups of economic subjects are represented on Slovak financial market.
3 Investment funds include all types of mutual funds with the exception of monetary market mutual funds, which are included in the monetary financial institutions sector.
4 Regulation (EC) No 958/2007 of the ECB of 27 July 2007 concerning statistics on the assets and liabilities of investment funds (ECB/2007/8).
5 Regulation (EC) No 24/2009 of the ECB of 19 December 2008 concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions (ECB/2008/30).

Chart 1 Share of subjects on total assets for sector S.123, 31 December 2009

- Investment funds 25.9%
- Leasing companies 52.7%
- Factoring companies 3.5%
- Consumer credit companies 17.4%
- Securities and derivatives dealers 0.6%

Source: NBS.

Chart 2 Development of total assets of investment funds broken-down by investment policy (EUR millions)

Bond ■ Equity ■ Mixed ■ Real estate ■ Other

Source: NBS.

Chart 3 Structure of domestic holders of investment fund's shares/units, 31 December 2009

- Monetary financial institutions 2.3%
- General government 0.0%
- Other financial intermediaries 10.1%
- Insurance corporations and pension funds 12.1%
- Non-financial corporations 3.0%
- Households and nonprofit institutions serving households 72.4%

Source: NBS.

6 *Regulation (EC) No 958/2007 of the ECB of 27 July 2007 concerning statistics on the assets and liabilities of investment funds (ECB/2007/8).*

7 *Guideline of the ECB of 1 August 2007 on monetary, financial institutions and markets statistics (recast) (ECB/2007/9).*

8 *The Decree of the NBS of 4 November 2008 No 23/2008 on submitting statements of individual mutual funds by asset management companies to the NBS for statistical purposes.*

9 *Mutual funds are consisting of money market funds (MMF) and mutual funds other than money market funds (investment funds).*
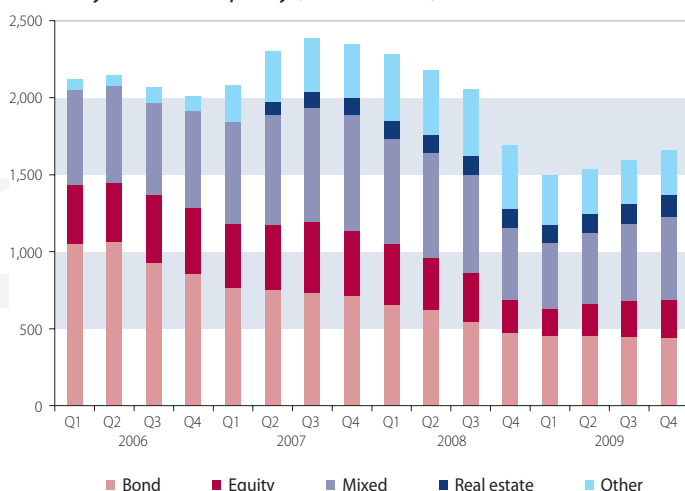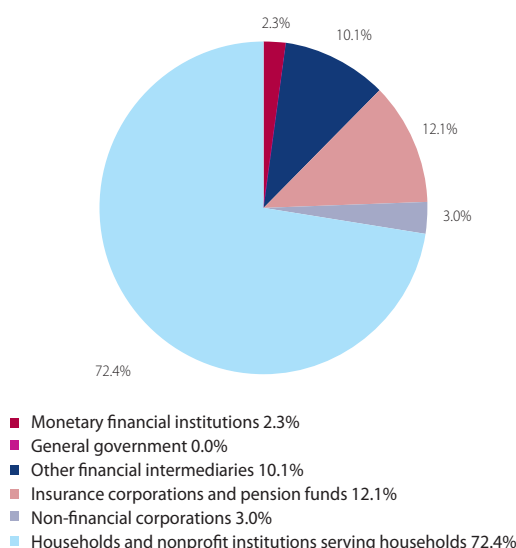
10 *The Decree of the NBS of 1 December 2009 No 9/2009 on submitting reports by asset management companies and by depositaries of mutual funds for the financial market supervision purposes.*

The extent of reported data fully corresponds with current ECB requirements for OFI statistics.

STATISTICS OF ASSETS AND LIABILITIES OF INVESTMENT FUNDS

Asset management companies submit statements for statistical purposes on behalf of investment funds (IF) managed by them since 2004. In 2004 only quarterly data were available. Since January 2005, the statistical balance sheet of IF is submitted by asset management companies with monthly periodicity.

For compilation of IF statistics required by the ECB, only data on stocks of assets and liabilities of investment funds which were available on national level were used until the end of 2008. Starting with December 2008, the data to the ECB are reported on the basis of new ECB regulation[6] and new ECB guideline[7].

In relation to compilation of new statistics on assets and liabilities of IFs, the ECB requires reporting of stocks to the end of a month and to the end of a quarter, and also monthly and quarterly adjustments of flows (revaluation adjustments in consequence of changes in prices and changes of exchange rate, and reclassifications). With regard to new requirements, the Statistics Department of the NBS in cooperation with Association of asset management companies prepared new reporting methodology, which is fully in line with new ECB requirements.

Data sources for IF statistics:

1. **Monthly statistical balance sheet of IF**, the collection of which is presently ensured by a Decree of the NBS[8].

Asset management companies submit the following data for individual IFs:

- Monthly stocks of assets and liabilities broken down by individual financial instruments, original maturity, currency, and contractual counterparties
- Monthly transactions for assets other than securities that are owned by IF, and for liabilities other than issued shares/units, broken down by individual financial instruments and contractual counterparties.

Until December 2008, NBS was collecting data from asset management companies for all IFs under their management. An innovation introduced in 2009 was in case of monthly statistical balance sheet, application of so-called stratified sampling, when the number of reporting IFs was reduced. Strata for purpose of inquiry are made of individual funds, structured according to investment strategy. The share of the representative element on total assets of all fund groups is at least 95%, ensuring high quality of estimated data and its significance. The aim of this process was to at least partially lower the costs of asset management companies related to data reporting to the NBS. In 2009, asset management companies reported statistical balance sheet for 45 out of 107 IFs. In 2010, the Statistics Department collects balance sheet data for 41 out of 62 funds.

2. **Monthly report on asset valuation of mutual fund[9]**, the collection of which is presently ensured by the Decree of the NBS[10].

The statement is primarily intended for supervision purposes, but it is also used for statistical purposes, mainly in regard to detailed information on all securities in property of mutual funds.

Within the frame of IF statistics, the collection of data on the basis of individual securities, so-called security-by-security, was used for the first time.

For all securities owned by IF at the end of current month, asset management companies report the attributes of securities, such as ISIN code, amount, market price and also data for individual purchases and sales that occurred during the current month. This information allows calculation of transactions and revaluation adjustments of securities. Calculated revaluation adjustments of individual securities are then aggregated accord-

ing to type of security, denomination, original maturity, country, and economic sector of the issuer of security.

Asset management companies submit required statements according to individual funds. In compilation of statistics on assets and liabilities of IFs, the requested data (stocks and revaluation adjustments) are aggregated and reported according to the investment strategy (i.e. according to assets into which the funds primarily invest) structured into equity funds, bond funds, mixed funds, real estate funds and other funds, whereby each one is structured further according to the type of IF into open-end and closed-end funds.

Availability of data on financial transactions simplifies the detailed analysis for purposes of monetary policy and for other purposes. Data on transactions and data on stocks are used also for compilation of other statistics, primarily statistics of financial accounts.

Data reported by asset management companies for individual securities in property of IFs are compared to information available from Centralized securities database managed by the ECB.

FINANCIAL CORPORATIONS ENGAGED IN LENDING (FCL) – FACTORING, LEASING AND CONSUMER CREDIT COMPANIES

For the purposes of FCL statistics it is understood that:
a) A factoring company is legal entity, which within the frame of its business activity performs factoring as its crucial or substantial activity, and which is not a bank or a branch of foreign bank, nor a foreign bank.
b) A consumer credit company is a legal entity, which within the frame of its business activity provides credit or loans from funds, which are not obtained from returnable money resources of other persons on the basis of public notice, as its crucial or substantial activity, and which is not a bank or a branch of foreign bank, nor a foreign bank.
c) A leasing company is legal entity, which within the frame of its business activity performs financial leasing as its crucial or substantial activity, and which is not a bank or a branch of foreign bank, nor a foreign bank.

Companies noted above have the obligation to report data to the NBS since January 2007.

The source of data for FCL statistics is Quarterly statistical balance sheet of leasing, factoring and consumer credit companies, the collection of which is presently regulated by the Decree of the NBS[11].

Reporting subjects submit quarterly stocks of assets and liabilities broken down by individual financial instruments, original maturity, denomination, and contractual counterparties with the deadline for sending to the NBS until the end of the month following the reference quarter.

As the mentioned subjects of financial market within SR do not fall under the supervision of the NBS or other authority, the information obtained

Chart 4 Development of total assets of individual types of companies (EUR millions)
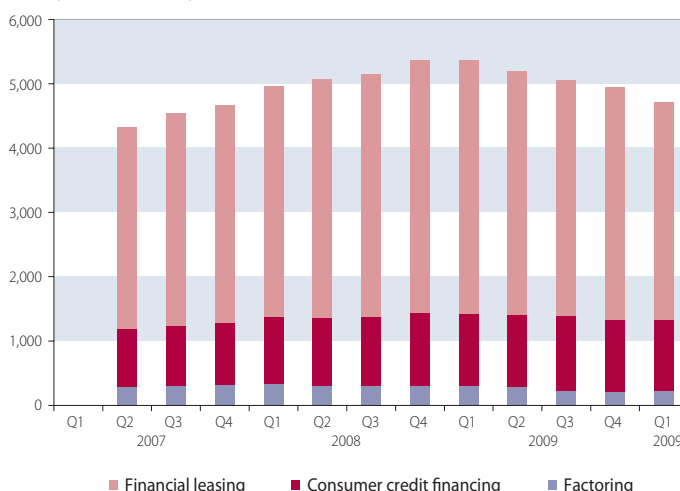
Source: NBS.

Chart 5 Development of selected types of claims of leasing companies and consumer credit companies (EUR millions)
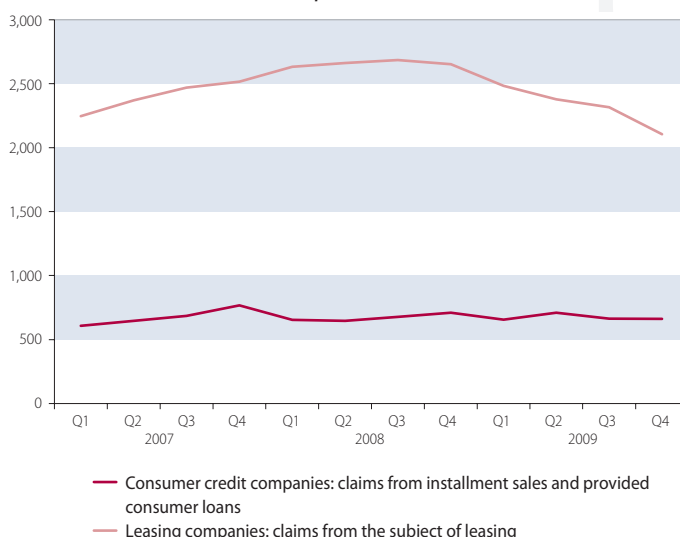
Source: NBS.

from this statement is the only source for analytical activities within the NBS and for purposes of data reporting to the ECB.

Also in the case of these companies, the ECB allows to use sampling in data collection, therefore since 2007 the NBS collects required information only from selected subjects. The only condition is that the selected sample must represent at least 95% of total assets of given group of subjects[12]. For example, in 2007, 132 leasing companies were officially listed in the Register of organizations, managed by the Statistical office of SR, out of which 14 companies were selected in 2008 for reporting with their share of 96% on total assets of this subsector, and 84 companies providing credit and loan in non-banking manner, out of which 12 companies were selected with share of 97% on total assets. In case of fac-

11 The Decree of the NBS of 4 November 2008 No 22/2008 on submitting reports by factoring companies, consumer credit companies and leasing companies for statistical purposes.
12 Lists of reporting subjects for individual types of companies are published on the NBS website in section Statistics (http://www.nbs.sk/en/statistics/money-and-banking-statistics/statistics-on-other-financial-intermediaries).

toring companies, the statement is submitted by all 7 listed companies.

The Selected sample is updated every two years, to ensure that it is representative. In 2009, a new sample of reporting subjects was assembled for 2010 on the basis of Census survey. Statistical Department of the NBS asked 114 leasing companies and 78 consumer credit companies to send their account balance sheet to 31 December 2008. On the basis of acquired information, 19 leasing companies, 8 consumer credit companies and 7 factoring companies were selected for reporting starting from first quarter of 2010.

SECURITIES AND DERIVATIVES DEALERS

Under this definition are companies according to § 54 of Act no. 566/2001 on securities, which trade on their own account and are not a bank, branch of foreign bank, asset management company, or branch of foreign asset management company. Presently, we register 18 companies and the source of information on assets and liabilities is a monthly balance sheet of assets and liabilities, processing of which is in the competence of Insurance companies and capital market statistics section.

Securities statistics

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Securities, from a theoretical standpoint, represent an alternative to bank loans for debtors, and conversely, for creditors can serve as a replacement for bank deposits and marketable instruments issued by banks. Securities issues statistics are therefore an important part of monetary and financial analysis.

SECURITIES ISSUES STATISTICS

Securities issues statistics are regulated by the corresponding ECB directive[1]. Observed in securities issues statistics on the basis of this directive are stocks (i.e. outstanding amounts) and flows (i.e. gross issues, redemptions, and net issues). It should prove true that outstanding amounts in a given period are equal to the outstanding amounts of previous period increased by gross issues of given period and decreased by redemptions of given period. Outstanding amounts in a given period can be also represented as a sum of outstanding amounts of previous period and net issues of the given period. This relationship is not absolutely valid though, as there could be differences caused by change of prices and exchange rates, or for reason of reclassifications, revisions and other adjustments.

Every national central bank should report issues of securities issued by domestic residents, whereby the basic classification is according to currency (in euro and other currencies). Another classification is according to the type of security (debt securities and quoted shares), according to the sector classification (ESA 95), original maturity of issues (short term up to 1 year, long term over 1 year) and longer debt securities are structured further on the basis of coupon yield (fixed, variable or zero coupon). Debt securities are valued at nominal value, quoted shares at market price.

In the context of Slovakia's admission into the euro area, Národná banka Slovenska gained the responsibility of compiling a statistic of securities issues. First data was sent to the ECB in October 2008, and NBS created a timeline of debts securities since 1993 (it's only an estimate up to 1998) and for quoted shares since 2001. Historical timelines are presented on the NBS website[2]. Statistics are compiled at most 5 weeks after the end of reference period.

The source for compilation of securities issues statistics is the corresponding NBS provision[3], by means of which NBS collects data from the Central Securities Depository of the Slovak Republic and the Bratislava Stock Exchange. Both of these institutions send further data to NBS, necessary for creation of these statistics. Important source for government securities is Debt and liquidity management agency[4]. Centralized securities database (CSDB) managed by the ECB has become an im-
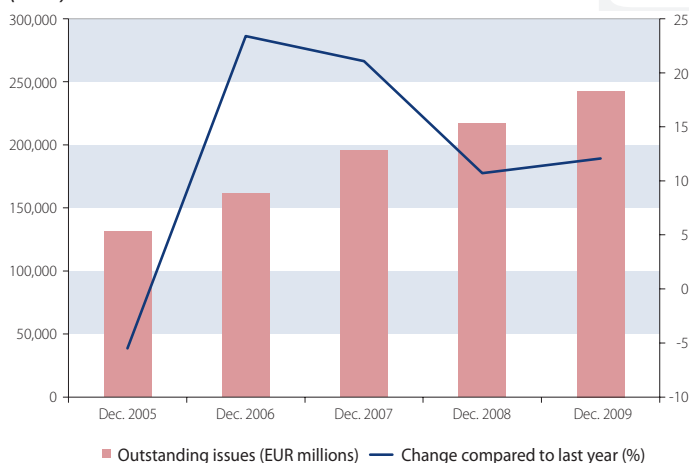
portant source of data for issues issued on foreign markets. In the past, also the Central register of securities managed by NBS (where the treasury bills were registered) was used as a source. But they lost their importance with admission of Slovakia into the euro area.

Outstanding issues, or, more precisely, the outstanding amount for issued debt securities (Chart 1) almost doubled in Slovakia in the last four years (increase by more than 85%, approximately half of this growth was caused by improved exchange rate of Slovak crown against euro). The largest share of this sum (Chart 2) is made of government securities (83.4%). Another sum worth mentioning on behalf of other sectors is made up of debt securities issued by banks (14.3%). The share of other sectors is negligible. Therefore, debt securities in Slovakia still don't represent a sufficient alternative to bank loans for non-financial companies and other financial intermediaries.

This fact, on the other hand, simplifies the collection and compilation of this statistic. Sources that the NBS uses do not represent any increased burden for reporting subjects (with the exception of the Central Securities Depository of the Slovak Republic and the Bratislava Stock Exchange) because NBS already has almost all data available. In addition, for government securities there are two individual sources of data available (besides the

1 ECB directive from 1 August 2007 on monetary statistics and statistics of financial institutions and markets (ECB/2007/9, appendix III, part 12) (http://www.ecb.int/ecb/legal/pdf/l_34120071227en00010232.pdf)
2 http://www.nbs.sk/en/statistics/money-and-banking-statistics/securities-issues-statistics
3 NBS provision no. 16/2007 from 18 December 2007 on submitting statements by stock exchange and depository of securities for purposes of financial market oversight (http://www.nbs.sk/_img/Documents/legs/2007/opat16-07.pdf)
4 http://www.ardal.sk/en/government-securities

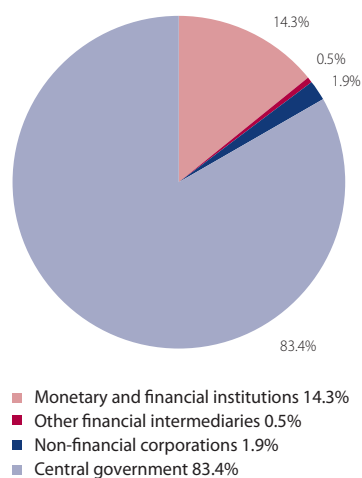**Chart 1 Outstanding issues and change compared to last year (in %)**

■ Outstanding issues (EUR millions) — Change compared to last year (%)

Source: NBS.

Chart 2 Share of individual sectors on outstanding issues

- Monetary and financial institutions 14.3%
- Other financial intermediaries 0.5%
- Non-financial corporations 1.9%
- Central government 83.4%

Source: NBS.

Central Securities Depository also the Debt and liquidity management agency). Similar situation exists also in the case of debt securities issued by banks, where mutual control between securities issues statistics and balance sheet statistics occurs. Because in these cases we talk about sectors with largest shares on issued securities (almost 98% total) where NBS has two independent sources available, we can say that the reliability of data is very high while the reporting burden of subjects is minimal.

Securities issues statistics is compiled on the basis of individual data for each issuance of securities (*security-by-security system, s-b-s*) and only the final sums are aggregated. This method presents a more difficult work during the collection and compilation of statistics. On the other hand it subsequently enables more detailed analysis of data and improves the quality.

This way NBS also develops its own database of securities, which may be subsequently used for compilation of other statistics. This database is also used in the process of *data quality management* within the frame of which is the NBS responsible for reliability of data in CSDB. The purpose of this entire process is the responsibility of individual national central banks for securities issued by residents and also common sharing of all issued securities within the entire ESCB. Národná banka Slovenska therefore has a quality source of data for securities issued by residents of the European Union, and also by residents outside the EU. There is an assumption for the future that CSDB should fully replace the securities issues statistics, which would therefore be compiled on behalf of the auro area only on the ECB level.

Data from these statistics is used by the ECB, as well as by the Bank for International Settlements (BIS). In May of the last year the Handbook on securities statistics, Part I: Debt securities issues[5] was released, published by BIS, ECB and IMF. Thanks to the securities issues statistics the BIS requirements are fully covered and there is no additional need for NBS to send more data. Presently, the release of second part of this handbook is being prepared, dedicated to debt securities holdings.

SECURITIES HOLDINGS

The ECB is concerned with the same topic of securities holdings, but also with the scope of all types of securities (not only debt securities). The effort to compile the statistics of securities holdings was already made in the past, but it was postponed due to the difficulty of this issue. The necessity of its compilation has returned in connection with the global financial crisis that began in 2008. The ECB established a special group within the Statistics committee (STC), the purpose of which was to propose possible solutions. At the present time, further negotiations are taking place, necessary legislative changes are being prepared, and first attempts to create this type of statistic are underway. NBS is preparing for these changes as well.

The difficulty of creation of securities holdings statistics lies in the fact that the laws of individual countries allow foundation of holder´s accounts[6]. From these accounts it is impossible to clearly identify, whether it's the final holder of the security, or a person that manages the security on behalf of a third person (e.g. a bank or a securities broker). It may happen, and often happens in practice, that even the third person is not the holder of securities, but 'only' manages it on behalf of another person. A so-called 'custody chain' is created, which doesn't have to run through just one country. For this reason, cooperation of all participating countries is necessary. Also for this reason, the entire process within the euro area is coordinated by the ECB, and BIS has similar ambitions on global scale.

CONCLUSION

In recent times, mainly because of the financial crisis of 2008, the importance of statistics related to securities has increased. The proof of this is the concentrated effort of most prominent international financial institutions (IMF, BIS, ECB) to not just develop handbooks, unify methodology, but also create complex securities statistics. Also thanks to these statistics, we should be able to prevent a similar crisis in the future. Therefore, it's no longer enough to collect aggregated data from selected reporting subjects. A suitable alternative, which is followed by current trends, seems to be the collection and compilation of statistics on the basis of individual data for each security separately (s-b-s) from subjects of all sectors. That is the reason why there is such an emphasis on development of databases of securities. Despite the fact that securities in Slovakia are not as widespread as in more developed economies, NBS is now participating on these efforts and working on development of its own database of securities.

Statistics of insurance undertakings, capital market and pension saving

Ing. Janka Sulíková et al.
Národná banka Slovenska

On 2 December 2004 the Government of the Slovak Republic adopted Act No. 747/2004 Coll., by which it decided to establish integrated supervision over Slovak financial markets. Subsequently, beginning on 1 January of that year, all powers, competencies and responsibilities for supervision over the activities of insurance undertakings, the capital market and pension saving subjects were transferred to Národná banka Slovenska, which until the end of 2005 carried out supervision over banks only. This was the reason why at the beginning of 2006 the Statistics Department was enlarged to incorporate new section – Insurance Companies and Capital Market Statistics Section (including pension saving).

The main scope of work of this section became securing of collection, processing and storage of financial market data. Processed data serve mostly for the purposes of carrying out of supervision, as well as for statistical purposes for both national and international institutions. The main users of statistical outputs are Statistical Office of the Slovak Republic, particular associations, ECB, OECD, Eurostat, CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors), legal and natural persons who use the data for analytical and educational purposes.

The information system STATUS DFT was developed for securing of the above mentioned activities. The securely functioning information system STATUS, with its long-standing and secure service for collection of data from banking subjects, became a basis for this system. Both information systems communicate through the Internet and thus enable two-way communication between NBS and reporting subjects. STATUS DFT consists of two subsystems, STAVYD-DFT and STATAN-DFT. Subsystem STAVYD-DFT secures collection of reports, their checking, processing, storage in the database and sending into the STATAN-DFT subsystem. Lotus Notes 6.5 and MS Excel environment was chosen for implementation of STAWD-DFT subsystem. Subsystem STATAN-DFT serves for storage, processing and analysis of data. This part of the system is implemented on the base of OLAP technology in the Oracle Express environment. The information system thus enables through interoperability of both of its subsystems designing of input statements patterns, collection of statements, designing of output patterns, designing of check-up links and their analyzing, etc.

To enhance communication effectiveness with reporting subjects, accelerate data compilation within NBS, and to create a unified warehouse for data from various subjects, there is now an analysis under way of existing and preparation of the new system of data collection by means of new product for statistics collection portal of the NBS, which should replace IS STATUS and IS STATUS DFT in future.

Subjects submit their statements, reports and announcements based on NBS Decrees and Provisions, the basic legislative framework of which is formed by the Act No. 8/2008 Coll. on Insurance system, Act No. 597/2003 Coll. on Collective Investment, Act No. 566/2001 Coll. on Securities and Investment Services, Act No. 483/2001 Coll. on Banks, Act No. 43/2004 Coll. on Retirement Pension Saving, Act No. 650/2004 Coll. on Supplementary Pension Saving, Act No. 747/2004 Coll. on Supervision of the Financial Market (all of them in the wording of later acts of law).

All of these areas underwent significant changes in recent period of time, first of all in connection with the entry of Slovakia into the euro area. Beginning of 2009 was characteristic mainly by entering into force of legislative acts, which took into consideration introducing of new currency and which applied the requirements and Regulations of the European Union.

One of the new tasks was fulfilment of the requirement of Council regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank supplemented by recommendation ECB/2008/9 (2008/C 251/01) and Council Regulation (EC) No 951/2009 of 9 October 2009. The original reference framework of reporting units submitting statistical data to the ECB was extended in the sense of the recommendation to include economic sector S.125 – Insurance corporations and Pension Funds (further only ICPF), which is

Chart 1 Development of assets and liabilities of insurance companies and pension funds (EUR millions)

■ Financial assets   ■ Financial liabilities
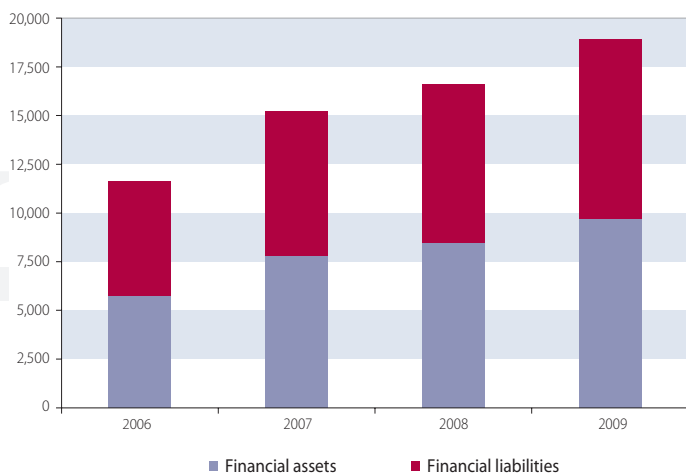
Source: NBS.

Chart 2 Structure of financial assets of insurance companies and pension funds up to 31.12.2009

■ Currency and deposits 16.1%
■ Securities except shares and financial derivates 69.4%
■ Lending/borrowing 0.9%
■ Other claims 3.9%
■ Shares and other equity except mutual funds shares 2.7%
■ Mutual funds shares 3.8%
■ Pre-paid premium and reserves for outstanding claims 3.1%

Source: NBS.

Chart 3 Number of financial market subjects in the year 2009

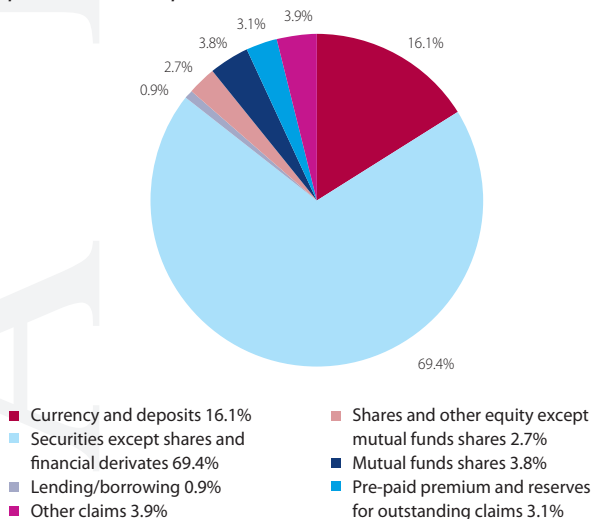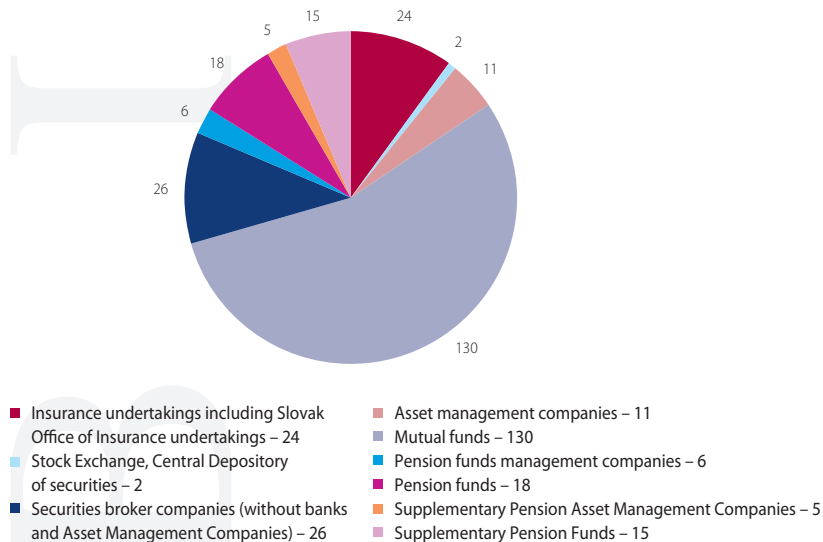■ Insurance undertakings including Slovak Office of Insurance undertakings – 24
■ Stock Exchange, Central Depository of securities – 2
■ Securities broker companies (without banks and Asset Management Companies) – 26
■ Asset management companies – 11
■ Mutual funds – 130
■ Pension funds management companies – 6
■ Pension funds – 18
■ Supplementary Pension Asset Management Companies – 5
■ Supplementary Pension Funds – 15

Source: NBS.

defined by the European System of National and Regional Accounts (ESA 95) as a sector of financial corporations and quasi-corporations, which are active mainly in financial intermediation as a consequence of shared risk. These institutions represent a significant sub-sector of the euro area financial corporations from the point of view of financial assets and liabilities.

NBS secures collection of these data on the basis of NBS Provision No. 21/2008 of 4 November 2008 on the submission of reports by pension fund management companies and supplementary pension asset management companies for statistical purposes and Provision NBS No. 27/2008 of 16 December 2008 on the submission of reports by insurance companies and branches of foreign insurance companies for statistical purposes, and amending Decree No. 4/2008 of NBS on the submission of statements, reports and other disclosures by insurance companies and branches of foreign insurance companies.

STATISTICS OF INSURANCE UNDERTAKINGS AND CAPITAL MARKET
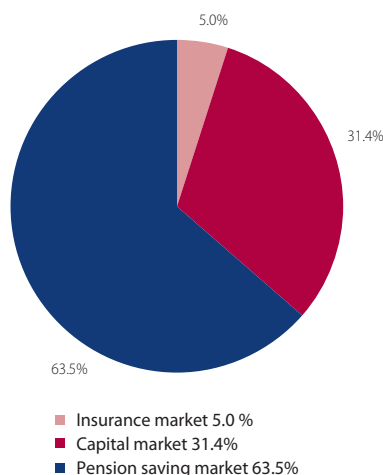
Data are collected about individual pension funds and supplementary pension funds and about insurance companies.

The objective of the NBS is compilation of balance of payments and financial accounts for the the euro area and for this purpose obtaining statistical data in accordance with methodology and classifications of Council Regulation (EC) No. 2223/96 on European system of national and regional accounts in the Community. Statistical data on ICPF are particularly valuable for ECB, because they are being used in detailed analysis of financial stability. Mentioned subjects are important investors on the financial market and they are interconnected with already supervised banks and other financial institutions and intermediaries. They represent protection of financial stability for households and companies through risk insurance. Insurance companies and pension funds provide financial means to the banks, corporations and the government through investment into the securities, where they are prominent investors in European scale first of all in the field of debt securities.

Employees of the NBS Statistics Department participated in the implementation of these requirements, which include checking the accessibility of source data per insurance undertakings and pension funds for currently reported periods of time as well as for historical periods of time up to 2006. Subsequently setting up and providing of data began. Data sets are compiled for the whole sector of ICPF S.125 (and then separately for S.1251 insurance corporations and S.1252 pension funds) in quarterly periodicity in accordance with short-term approach, i.e. on the date T+85 calendar days, and also yearly from audited data on the date T+9 months. Data are collected and reported for stocks and transactions of financial assets and liabilities.

Chart 4 Ratio of newly accepted reports of particular financial market segments for the year 2009

Insurance market 5.0 %
Capital market 31.4%
Pension saving market 63.5%

Source: NBS.

Chart 5 Ratio of processed reports for the year 2009 according to their periodicity

Irregular reports 3.7%   Daily reports 72.0%
Monthly reports 10.7%   Quarterly reports 11.1 %
Semi-annual reports 1.5%   Annual reports 1.1%

Source: NBS.

According to evaluation report of the ECB, the Slovak Republic was evaluated as a country with high coverage of data and fulfilling of transmission conditions from the point of view of timeliness of data delivery, structuring and providing of time series and as one of the small number of countries which do report problematic part of transactions in almost full coverage and in quarterly periodicity.

These data are used for internal analytical purposes by the ECB today. In the autumn of 2010, regular data dissemination for the ICPF sector will begin. Up to this time; however, they have to undergo further quality assessment. This evaluation is planned for the second quarter of 2010. It is also planned to shorten the time for reporting to T+80 calendar days this year.
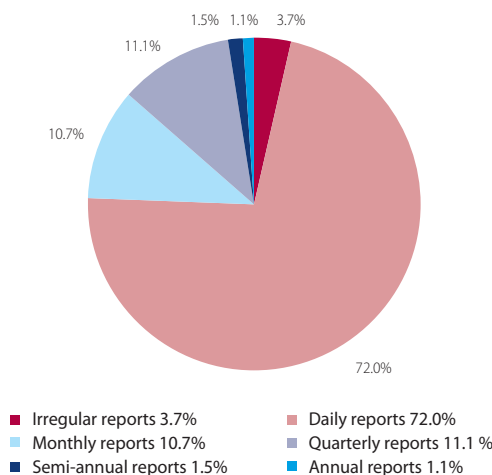
ICPF statistics and its reporting for the ECB has been included in the ECB Guideline on monetary, financial institutions and markets (ECB/2007/9).

A FEW STATISTICS ON STATISTICS

237 subjects, from this number 24 insurance market subjects, 169 capital market subjects and 44 subject from the market of pension saving communicated with Národná banka Slovenska through information system STATUS-DFT during the year 2009.

Referring to previous calendar year, there so far have been more than 40,000 reports accepted..

This process is not yet finished, because the reporting obligation of the subjects ends only after sending of audited accounting reports, which is up to 6 months after the end of the regular accounting period in the case of some companies.

One characteristic feature of reporting is differing periodicity for submission of reports. This follows from particularities and needs of supervision within the individual financial market segments and from statistical needs of the NBS. From the point of view of periodicity, the reports in the database of input documents are divided to irregular ones, which are being sent in case of matter of fact origination and to regular ones, which are being sent daily, once in a decade, monthly, quarterly, semi-annually and annually. Based on this fact for the year 2009, there was processed around 2 thousand of irregular reports and 39 thousand regular reports.

A distinctive qualitative change is expected in the field of insurance market reporting, which will be brought about by Solvency II system with expected term of implementation in the year 2011. It is focused on harmonization of the conditions of information dissemination, its transparency and consistency in the framework of the European Union, which will have an important impact on the structure and form of data being submitted by the subjects of the insurance market in the Slovak Republic.

Statistics of non-banking entities

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The Non-banks Statistics Section ensures and is responsible for the collection and processing of statistical reports from legal and natural entities, except for banks and branches of foreign banks following the need to prepare the balance of payments, international investment position and statistics of direct foreign investments.

The reporting requirement is stipulated by the provisions of the Article 8 of the Act of the National Council of the Slovak Republic No. 202/1995 Coll. Foreign Exchange Act and the act amending and supplementing the Act of the Slovak National Council No. 372/1990 Coll. on Offences as amended, in the wording of the Act No. 602/2003 Coll. The structure, scope, content, division, deadlines, form, manner, procedure and manner of submitting are governed by the NBS Decree No. 634/2008 Coll.

Reports are collected in a hard copy form. The collection of reports is done with monthly, quarterly and annual periodicity, reports on quoted stock and portfolio investments are filed always after any change. NBS uses the IS DEVOHP system for data processing.

As the result of the Slovak Republic access into the EU and the euro area, the reports of non-banking entities have undergone several changes. A major group of reporting entities have started to make reports according to the International Accounting Standards after fulfilling the required criteria. The other group still applies Slovak Accounting Standards. When reflecting the requirements into the methodological guidelines of international organisations – ECB, Eurostat and IMF – the existing national situation is also of importance.

As a result of changes arising from the applicable legislation, the methodological guidelines are regularly – once a year – reviewed and updated.

The reporting entities use a monthly report DEV(NBS)1-12 to submit data about relations with direct foreign investors based abroad, with companies of direct investment abroad, with companies within a consolidated unit and other entities based abroad for the countries in total if the value of foreign assets and liabilities is EUR 700,000 or more on the date of the report.

The monthly report consists of five parts and is processed in two stages. The first deadline is the 10th day of a calendar month following the month in which the reporting entities achieve the limit of EUR 700,000 is determined for processing of 400 to 450 priority companies representing 70% of the total volume. The second deadline is the 25th day of the calendar month following the month in which the reporting entities achieve the limit of EUR 700,000. After this deadline, the system

comprises the processed reports from all reporting entities.

From 1 January 2007, the reports are amended by the requirement for reporting the aggregate data against the euro area countries. At the same time, the monthly reports are also amended by the requirement for reporting the accounting values of equity (accounting class 41 – Equity funds, 42 – Funds created from profit and transferred economic results).

Because of the Slovak Republic's access into the euro area some provisions of the Act No. 659/2007 Coll. on Implementation of Euro in the Slovak Republic have been reflected into the methodological guidelines. Special instructions in compliance with the Act on Accounting and accounting procedures applied mostly to the method of valuation of assets, liabilities and advances as at 31 December 2008, method of valuation of the registered capital of the reporting entities after 1 January 2009 and the method of reported data transmission considering the conversion to euro as at 1 January 2009.

For the year 2002, the reporting entities submitted for the first time annual reports PZI(NBS)1-01 and PZI(NBS)2-01. These reports include detailed information about equity, acknowledged and paid dividends, and shares on profit, about partners and shareholders based abroad with the share on the registered capital of the reporting entity of 10 % minimum, about companies from the consolidated unit based abroad, financial investments of reporting entities with the share of 10 % minimum on the registered capital of the entity based abroad, etc.

The staff of the Non-banks Statistics Section co-operates with the authors of reports and compares the data reported with balance sheets and profit and loss statements of the reporting entities.

The annual reports about direct foreign investments in a home country and direct investments in abroad are submitted by approx. 3,460 companies. They represent the basis for the review of primary data about direct investments from monthly or quarterly reports. The primary data about direct foreign investments is always considered preliminary and is reviewed (the balance of current account revenues of the payment balance account is also reviewed) after processing the data from

annual reports about 17 to 18 months after the end of the relevant period.

Currently, the work on the preparation of the statistical collection portal in NBS is underway. The new integrated IS should unify the form of obtaining the statistical data for all the reporting entities. At the same time, it should also provide for electronic collection and processing of all the reports subject to foreign-exchange reporting requirements.

Quarterly financial accounts statistics in the Slovak Republic

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Quarterly financial accounts form an inseparable part of the European System of National Accounts (ESA 95). Their main objective is providing exhaustive information about financial flows among individual entities of national economy and among domestic and foreign entities and/or data about the volume (positions) of financial assets these economic entities have at their disposal. Based on such information, it is possible to analyse especially the transmission mechanism of central bank's monetary policy and by means of the volume and structure of financial assets possessed and the volume and structure of the financial indebtedness of economic entities to monitor the stability rate of the country's financial system.

1 The method of source data collection for the purpose of the QFAs preparation is provided in the part Data Resource for QFAs Preparation.

2 According to ESA 95, the flows and positions explain the economic processes in all types of economic assets and liabilities i.e. in financial and non-financial assets and liabilities.

3 According to the ESA 95 definition, the expression "financial account" within the order of national accounts means one of the accounts of accumulation representing transactions including financial assets and liabilities (positions of financial assets and liabilities are designated as a balance sheet). In other words, the QFAs as a whole form both the part of the accounts of accumulation (transaction) as well as balance-sheet accounts (positions).

Národná banka Slovenska is primarily responsible for preparing and publishing quarterly financial accounts (hereinafter referred to as the QFAs) of the whole economy except for general government sector, which issupervised by the Statistical Office of the Slovak Republic. When preparing the QFAs, NBS closely co-operates with the Ministry of Finance of the SR and with entities in financial sector. NBS obtains data from non-financial entities from the reports of the Statistical Office of the Slovak Republic, from balance of payments prepared by NBS or from already existing statistical reports, i.e., from data of counterparties[1] (e.g. details about deposits of households in banks is not obtained directly from households, but from statistical reports of banks).

QFAS IN THE ESA 95 SYSTEM

ESA 95 system collects two basic types of information: flows and positions[2]. The flows apply to activities and effects arising from phenomena occurring within a certain time period (e.g. increase of new deposits of households within a quarter), while positions apply to certain defined moment in time (total volume of all household deposits by the end of a specific quarter).

FLOWS OF FINANCIAL ASSETS AND LIABILITIES

The flows represent creation, transformation, exchange, transfer or cancellation of a financial asset or liability, while there are two types of economic flows: a) transactions and b) other changes of assets.

Financial transactions represent transactions of financial assets and liabilities among individual economic entities within one country and among domestic and foreign entities recorded on the financial account[3]. They comprise information about real acquisition or decrease of financial assets and liabilities, i.e., they do not include changes in financial assets and liabilities caused by a change in price, classification and structure.

Other changes of assets and liabilities record changes that do not result from transactions. They are divided into other changes of the volume of assets and liabilities and profits and losses of property. Other changes of the volume of assets and liabilities include changes occurring as the result of reclassification and restructuring of institutional sectors or financial assets and liabilities, as well as one-sided debt termination and seizure of assets without compensation. Profits and losses on the property are the result of changes of assets prices i.e., they appear with all financial assets and liabilities in result of their possession without any transformation.

POSITIONS OF FINANCIAL ASSETS AND LIABILITIES

Positions represent financial assets consisting of financial assets and liabilities at certain moment of time and they are recorded by the beginning and end of every accounting period (initial and final balance sheet). The ESA 95 system within its limits is exhaustive with respect to the flows and positions. It means that all the changes in positions may be fully explained by the flows recorded. According to the description of financial positions and flows a complete financial account for the national economy for a specific quarter would be as follows:

value of financial asset/liability in an initial balance sheet

+ financial transaction: total value of acquired assets/liabilities less the total value of sold assets/liabilities during the accounting period
+ other changes in the volume of assets and liabilities
+ profits and losses on the property

= **value of financial asset/liability in the final balance sheet**

SOURCE OF DATA FOR QFAS PREPARATION

As previously noted, the main objective of QFAs is providing a complex view of financial flows within the domestic economy and also in relation to abroad. In this respect it is essential to ensure the maximum possible coverage by all the available data for creating quality data and analytical outputs as well as comparability of such data in time.

QFAS AS COMPILED STATISTICS

Because the QFAs are represented by all financial transactions among all the entities in the national economy and in respect to abroad when preparing the QFAs it is needed to use various data resources. The content of such data resources focuses either on a specific area of business (e.g. data from reports for institutional sectors S.121 and S.122 – Monetary financial institutions), i.e. on economic activities and financial instruments relating to a specific sector or to specific type of a financial instrument (e.g. data about securities obtained from the Central Depository database). Data obtained in this way are considered partial primary inputs and therefore the QFAs are only secondary outputs from the stated resources. The overall quality, availability in terms of time, and mutual comparability depend to a large extent on the above-mentioned input statistics.

DATA COVERAGE AND RESOURCES FOR QFAS PREPARATION

The volume of data available for the QFAs needs varies and differs among individual sectors and sub-sectors as well as among individual financial instruments. In principle, NBS uses two types of resource data: internal and external. The most reliable and complete is the internal resource data from which data for the sectors S.12 Financial corporations and S.2 Rest of the world is used. The reason is the fact that NBS executes supervision over the financial markets and has long-term experience with data collection from financial institutions and can obtain the data from all entities within the relevant sector. The relevant data resources for sectors and sub-sectors ESA 95 is provided in the Table 1.

Within external data resources, the most important are the Statistical Office of the Slovak Republic and the Ministry of Finance of the Slovak Republic in co-operation with whom it is not only possible to prepare the QFAs but also to compare the QFAs with quarterly non-financial accounts and annual financial accounts for which the Statistical Office of the Slovak Republic is liable (Table 2).

DATA CONSISTENCY

In many instances, the data about a specific financial instrument is available from both relevant sectors or sub-sectors. In spite of the fact that both parties report the data about the same financial

Table 1 Internal resource of data for individual sectors and sub-sectors of ESA 95

Sector	Resource
S.121+S.122 Central bank and other monetary financial institutions	Monetary and financial statistics
S.123 Other financial intermediaries	Statistics of financial intermediaries (leasing companies, factoring companies and hire-purchase companies) and statistics of unit trusts
S.124 Financial auxiliaries	Statistics of administrators of unit trusts, securities brokers, stock exchange and central depository, administrators of pension funds and additional pension funds
S.125 Insurance corporations and pension funds	Financial balance sheets and statistical data about insurance companies, pension funds and additional pension funds
S.2 Rest of the world	Balance of payments and international investment position

Table 2 External resources of data for individual sectors and sub-sectors ESA 95

Sector	Resource
S.11 Non-financial corporations	Selective finding of selected companies (Statistical Office of the Slovak Republic)

S.13 General government
    S.1311 Central government
    S.1313 Local government
    S.1314 Social security funds
	Financial balance sheets of entities in public sector (Ministry of Finance of the Slovak Republic) and quarterly financial accounts of the government (Statistical Office of the Slovak Republic), final state account (Ministry of Finance of the Slovak Republic)

S.14, 15 Households and non-profit institutions serving to households	Selective finding of households (Statistical Office of the Slovak Republic)

Table 3 Overview of financial instruments valuation in the QFAs*

Financial instrument	Manner of valuation
Monetary gold and special drawing rights	
Monetary gold	market value
Special drawing rights	nominal value**
Money in circulation and deposits	nominal value
Securities except for stock	nominal value + market value
Loans	nominal value
Quoted stock	market value
Non-quoted stock	registered capital in accounting value
Other shares	nominal value
Stock in unit trusts	market value
Insurance and technical reserves	market value
Other receivables and payables	accounting value

* Interest from financial assets and liabilities is recorded in the QFAs in the appropriate financial instrument as if they were reinvested.
** Nominal value is the price of financial instrument indicated on cash or the sum to which the receivables/payables are denominated.

instrument (one sector reports it as an asset, the other one as a liability), the data often varies. This inconsistency does not have to be a problem for resource sectors; however, for the preparation of QFAs as a consistent system the identification and subsequent removal of differences found plays a key role. The differences occurring are not necessarily the result of errors in one of the source statistics. The reasons are many. One of the main causes is the different methodology of reporting the data in individual sectors. It means, for instance, different definition of a financial instrument or valuation of one and the same instrument in accounting and statistical reports of individual sectors. Another reason for differences may also be due to the different times of reported data updating or different moment of financial transaction recording (e.g., purchase of stock made on 30 March may be recorded in the reports of one sector as a transaction in the 1st quarter and in the other sector it may be recorded as a transaction in the 2nd quarter of the relevant year). Because potential errors have also to be taken into consideration, higher demands are placed on the users of data who shall ensure reliable controlling mechanisms of the data obtained.

The principle of data consistency is superior to all other principles of QFAs preparation. It is important especially in relation to recording the correct value of financial instruments, because the price of one asset (this applies mostly to debt securities and equity securities) may be understood differently by the asset owner and by the debtor (issuer). In general, the principle of market valuation may only be applied with financial assets that are publicly tradable on the market; in other instance it is needed to select a different economic concept of financial asset valuation (Table 3).

COUNTERPARTIES

Quarterly financial accounts provide for monitoring of financial flows in economy by means of individual financial instruments while if certain financial instrument is an asset of one sector it must automatically be reflected as a liability of another sector. This double-entry recording of financial instruments provides for collecting the data about one financial flow both from the entity possessing certain financial asset as well as from the entity issuing the relevant asset i.e. the debtor (e.g. with securities the issuer is a debtor against the security owner). With some financial instruments, such as when there is only the data from one party of the financial transaction at the disposal in the structure according to counterparties, the other party to the financial transaction is determined automatically, i.e. from the counterparty. The stated system of obtaining the data from counterparties is used mostly for obtaining the data about sectors from which it is not possible to collect precise data (e.g. sector of households).

PROCESS OF PREPARING THE QFAS

Key roles in the process of the QFAs preparation is played by the following factors: data availability in terms of time, quality in terms of methodological requirements and required structure of existing data.

"Incoming"data must be continuously assessed from the point of completeness, quality and economic interpretability and the sides of assets and liabilities shall be balanced continuously. If with certain financial instrument different data about assets of one sector and liabilities of the other sectors is reported among or within sectors, potential causes of such differences are analysed and a consensus is made about "preferring" a better-quality source of data according to which the counterparties of assets and liabilities will be balanced to the same value. In some instances if it is possible to identify precisely the data resource (with entities of financial market and public sector) also the stated data resources are consulted to verify the correctness of data reported and remove potential errors and inaccuracies. When
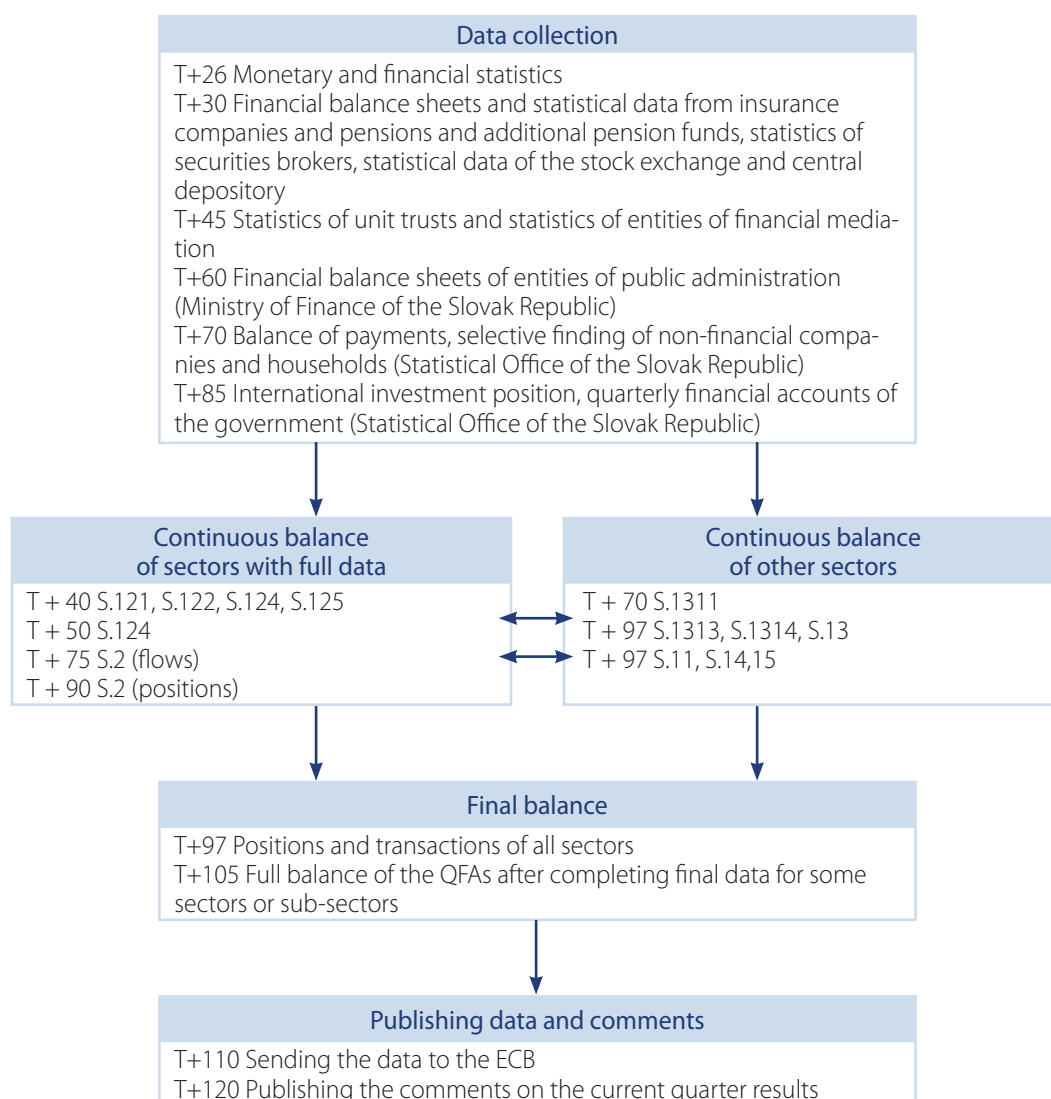
preparing and balancing the positions and transactions in the QFAs, there are certain differences. In majority of institutional sectors the data about positions is generally more available and of better quality. Data about transactions is available fully or partially in majority of sectors with the exception of the sectors S.11 – Non-financial corporations and S.14, 15 – Households and Non-profit institutions serving to households.

Full or partial availability of data about transactions in majority of sectors relates to the fact that the data about transactions may be prepared by two different methods. The first one is the so-called direct method i.e. individual sectors provide data directly about transactions. The other method – the so-called indirect method – is represented in the first stage by the collection of data about positions, revaluation, reclassifications and exchange-rate differences of data for individual financial instruments, while the data about transactions is obtained as a difference of positions between two quarters after deducting the values of other flows (revaluations, reclassifications and exchange-rate differences). Because there are various types of data for the calculation transactions[4] among individual sectors and within individual sectors, transactions are calculated by a combination of both methods mentioned earlier.

The following diagram describes the procedure of preparing the QFAs together with the determination of the number of calendar days when the data is at the disposal:

4 *In some sectors there is only the data about transactions, in others only about other flows. There are also sectors in which some entities report data about transactions, other within the same sector only report data about non-transactions. There are also sectors that do not report any data needed for the calculation of transactions. In such instance the calculation of the difference of data about positions between two subsequent quarters and the data obtained from counterparties is combined.*


Data collection

T+26 Monetary and financial statistics
T+30 Financial balance sheets and statistical data from insurance companies and pensions and additional pension funds, statistics of securities brokers, statistical data of the stock exchange and central depository
T+45 Statistics of unit trusts and statistics of entities of financial mediation
T+60 Financial balance sheets of entities of public administration (Ministry of Finance of the Slovak Republic)
T+70 Balance of payments, selective finding of non-financial companies and households (Statistical Office of the Slovak Republic)
T+85 International investment position, quarterly financial accounts of the government (Statistical Office of the Slovak Republic)

Continuous balance of sectors with full data

T + 40 S.121, S.122, S.124, S.125
T + 50 S.124
T + 75 S.2 (flows)
T + 90 S.2 (positions)

Continuous balance of other sectors

T + 70 S.1311
T + 97 S.1313, S.1314, S.13
T + 97 S.11, S.14,15

Final balance

T+97 Positions and transactions of all sectors
T+105 Full balance of the QFAs after completing final data for some sectors or sub-sectors

Publishing data and comments

T+110 Sending the data to the ECB
T+120 Publishing the comments on the current quarter results

The impact of the crisis on the Slovak financial sector in 2009 and macro stress testing

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The lack of confidence in financial markets in the summer of 2007 gradually evolving into the global financial crisis did not have a significant impact on the Slovak financial sector. At the beginning of 2009, however, we could already see more important impacts, since the crisis negatively affected the real economy. The financial sector is much more exposed to it than to global financial markets.[1]

Chart 1 Volume of industry revenues (in billion Euro)

Legend: 2005 2006 2007 2008 2008
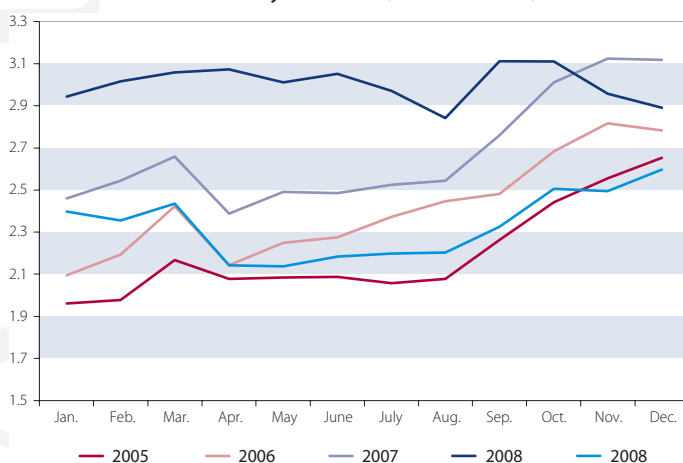
Source: Statistical Office of the Slovak Republic.

Chart 2 Occupancy rate and prices of commercial real estate

Legend: ■ Vacancy rate ■ Price for square meter per month (the right axis)
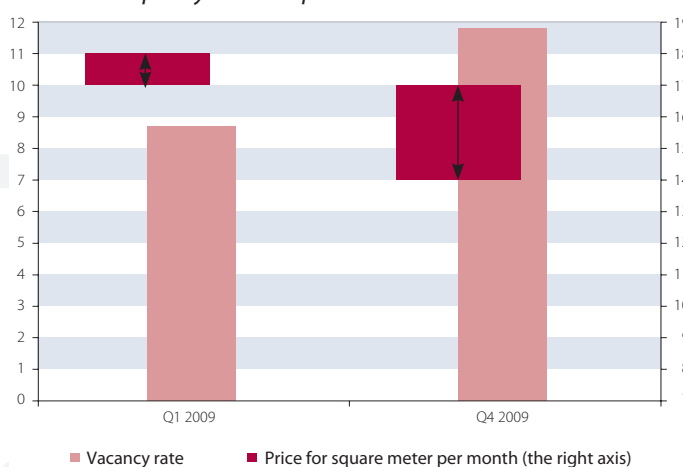
Source: CBRE.
Notes: Price is for "prime rate". The chart shows the interval in which the prices ranged in the given quarter.

Changes in the real economy in Slovakia and in countries where Slovak export leads have been the main channel of the impact of the crisis on the Slovak financial sector. The exposure to the development on financial markets continues to be the second channel. A separate factor is the foreign ownership of the majority of entities in the Slovak financial sector.

THE IMPACT OF CHANGES IN REAL ECONOMY

The first quarter of the year of 2009 saw a significant decrease in the activity of companies and a significant increase of unemployment. The Slovak corporate sector suffered especially from a drop in exports being a result of weaker consumption in target countries. A decline in activity was recorded in almost all sectors, while industry revenues sank to the level of 2005 (Chart 1).

Catering and accommodation services as well as construction may be considered to be the most affected sectors. A separate problem is the development on the market of commercial real estate. With regards to high cyclic nature of this segment, demand dropped in 2009, as well as the prices and the occupancy rate (Chart 2). Loans provided by banks to developers started to present an increasing risk. Its importance is further increased also by the relatively high concentration of these loans as far as their size is concerned.

Due to the worsening situation in the corporate sector, unemployment started to grow (Chart 3), while the growth of average salaries slowed down significantly. The pressure on the financial situation of households increased coupled with uncertainty as far as the future situation was concerned.

On the one hand, these factors led to weakening of the demand for loans on the part of companies, as well as households and on the other hand to higher non-performing loan rates in bank portfolios (Chart 4).

Banks reacted to this situation by tightening of credit standards, especially in case of companies. They were also dealing with costs caused by provisioning or sale of non-performing loans.

Since the growth of investment in securities was almost exclusively related to the purchase of government bonds, banks were basically replacing growing credit risk of households and companies with relatively lower government risk (Chart 5). At the same time, in the course of 2009 and in the first months of 2010, talks about sovereign risk due to high indebtedness of some countries were openly increasing.

MARKET FACTORS AND OTHER INFLUENCES

Apart from impacts of changes in the real economy which significantly contributed to the development of banking sector balance sheet, other factors clearly influencing the way banks behaved also need to be mentioned.

It is especially important to stop at the event that was specific for Slovakia – the adoption of Euro. Due to simpler conversion, as it was expected, clients deposited to bank accounts relative large amounts of money especially in the last quarter of 2008. Despite the fact that banks tried to maintain this resources on their accounts, these were gradually withdrawn in the course of 2009. The total volume of deposits of households thus returned to the original trends at the end of 2009 (Chart 6).

On the other hand, the accession to the Euro area also meant for banks an end to the two-week sterilisation repo operations with NBS. This change caused substantial decline of foreign funds invested in these transactions. As a result of this change, the total balance sheet of the banking sector dropped during one month at the turn of the years of 2008 and 2009 by more than 10% (Chart 7).

Apart from the impact through the real economy, the crisis in the financial markets had further direct and indirect impacts. The situation influencing banks at the turn of the years of 2008 and 2009 can be assessed as negative. As a result of worsened conditions, the issuance of mortgage bonds was made significantly more complicated on the primary market which might have led to a partial slowdown of household crediting and represented higher interest rate burden for banks. With calming down of the situation on the financial market, emission conditions also eased and currently, the most probable reason for lower emission activity is the development on the mortgage market.

Indirect influence of the crisis may be seen as positive from the point of view of banks, as it led to lowering of ECB interest rates and to prolonging of maturity of refinancing operations. Banks used these long-term refinancing operations (LTRO) especially to buy government bonds and to invest on the interbank market. They were thus able to use low costs of resources and achieve relatively high revenues. From the point of view of financial

Chart 3 The development of the number of planned layoffs and actual layoffs in the corporate sector (number of persons)
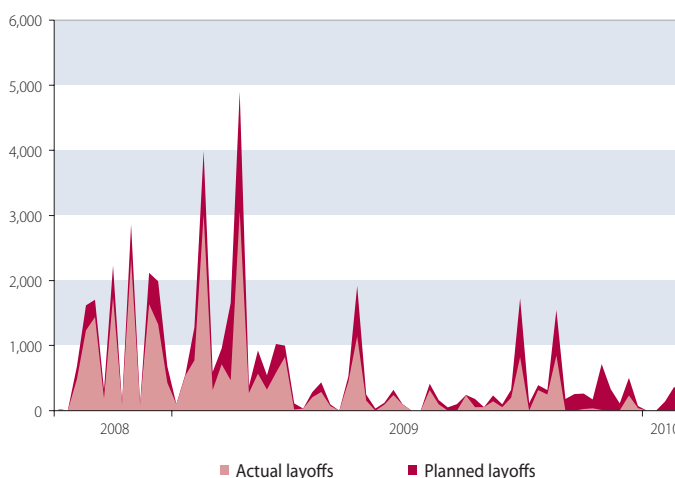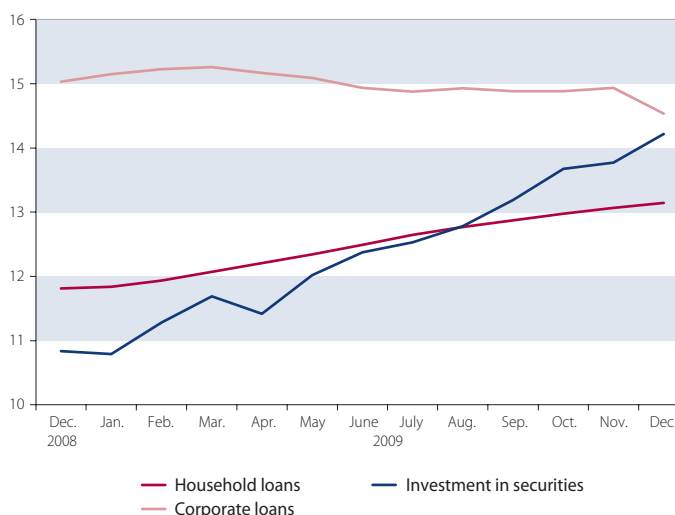

Source: Central Office of Labour, Social Affairs and Family.

Chart 4 The development of non-performing loans in the year of 2009
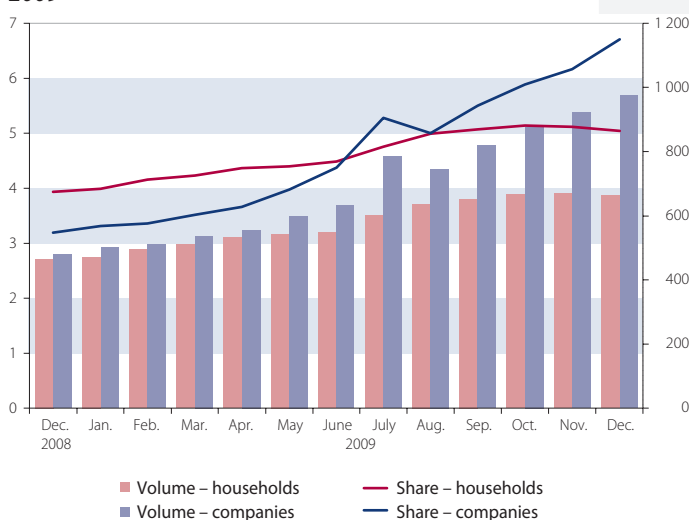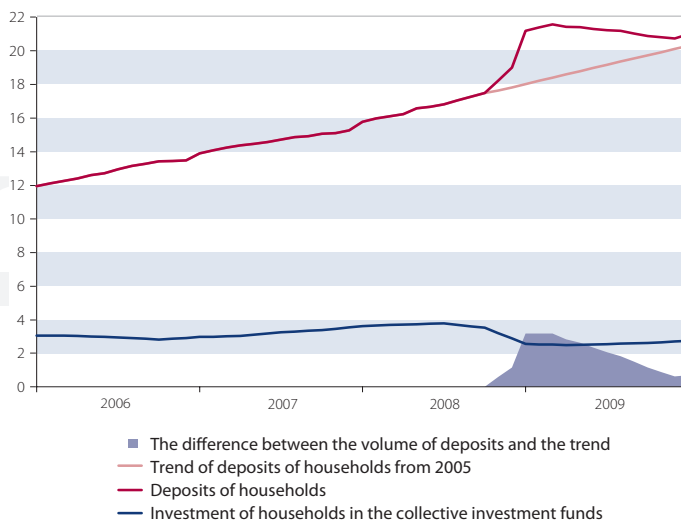

Source: NBS.

Chart 5 The development of the main asset categories in the year of 2009 (in billion EUR)
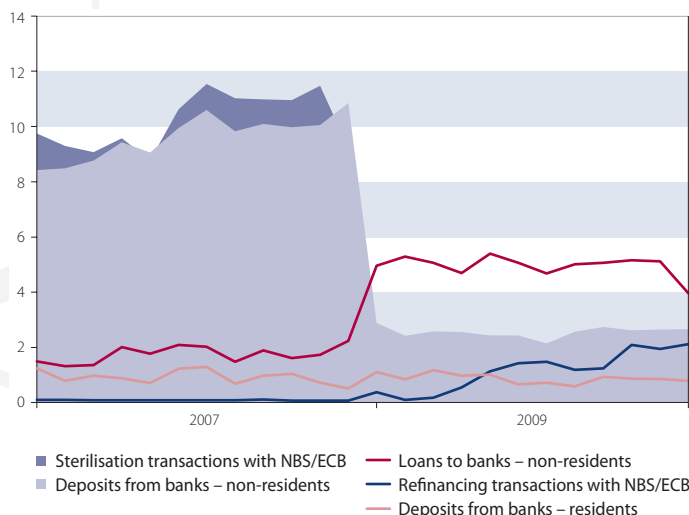

Source: NBS.

Chart 6 The development of the volume of deposits of households (in billion EUR)
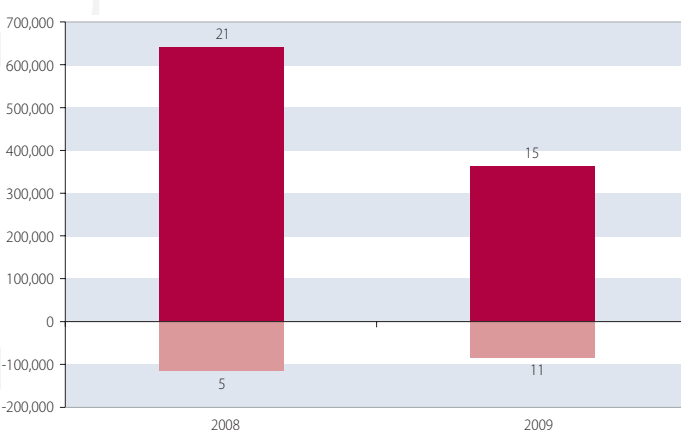

- ■ The difference between the volume of deposits and the trend
- — Trend of deposits of households from 2005
- — Deposits of households
- — Investment of households in the collective investment funds

Source: NBS.

Chart 7 The development in the inter-banking market (in billion EUR)

- ■ Sterilisation transactions with NBS/ECB
- ■ Deposits from banks – non-residents
- — Loans to banks – non-residents
- — Refinancing transactions with NBS/ECB
- — Deposits from banks – residents

Source: NBS.

Charter 8 The level of profit and loss in the banking sector (in thousands of EUR)

Source: NBS.
Notes: Numbers in columns express the number of banks or branches of foreign banks that achieved profit or loss.

stability it is important that these resources were not exceedingly used to finance regular credit activities. The end of LTRO will thus probably not create a direct pressure on the banks in Slovakia.

The changes in banks balance sheets toward activities with relatively lower risk and at the same time lower margin, provisionong as a result of losses from loans, a drop in foreign exchange income with regards to Euro adoption and a reduction of transactions on the interbank market contributed to reduced bank profitability. Toward the end of 2009, 5 banks and 6 branches of foreign banks ended with a loss (Chart 8). On the other hand, even under these difficult conditions, the majority of banks managed to increase their capital position and thus also their own resistance to a possible later negative development.

Difficult conditions for bank operations in 2009 also pointed out the differentiation within the banking sector. On one hand, several banks succeeded at strengthening their position at this time, with some even at increasing their profits. On the other, the position of certain banks was weakened and their future in the Slovak banking sector is not certain.

Turbulence on the financial markets also hit funds of collective investment. Already in 2008, the drop in share prices reduced the value of assets of these funds. This negative development together with worries about the future stirred a strong wave of redemptions that ended only with the stabilization of the financial markets in the second quarter of 2009. Starting with this quarter, the interest of investors in these funds was renewed and their interest was supported also by low interest rates on bank deposits. Despite positive net sales and increased asset prices in the last three quarters, the value of fund assets continued to fail to reach the levels of the period prior to the wave of sales in September, 2008.

In the case of funds from the second and third pension pillars, a relatively new risk of sovereign countries occurred in 2009. Massive governmental support directed at saving financial sectors and real economy encouragement increased the fiscal deficit of a number of countries to levels bordering with levels acceptable by investors. Since some of these funds have relatively important exposure to these countries in the form of purchased government bonds, a possible lowering of rating of these countries might mean a loss and decline in the prices of the assets of these funds.

For pension fund management companies; however, a more notable event than the financial crisis was represented by some of the legislative changes leading to a radical change in the structure of these funds. When these companies acquire a loss in a certain period, they must compensate their negative result with their own resources. As a result, assets with volatile price movement were significantly eliminated in these funds. After June 30, 2009, bank accounts, treasury bills and bonds with a short residual maturity became the main

part of all types of funds (Chart 9). The difference between the three types of funds thus reduced to a minimal value that was also reflected by the parallel development of the current value of pension unit in the individual funds. Funds became less volatile as a result, however, the level of risk reduced, at least for now, at the expense of possible future higher revenues.

MACRO STRESS TESTING

For the sake of a complex view of the Slovak financial sector (apart from summarizing the current trends in the economy and in the individual sectors and quantification of risks that institution face or will most likely face in the near future), it is important to answer one more question. That is, if domestic financial companies would survive a little probable, but still possible significant negative shock, be it in the real economy or on financial markets.

When looking for the answer to this question, the instrument of macro stress testing was used. The resistance of the financial sector was tested using two scenarios. The first scenario (called the Second Wave of Crisis) was focused on the banking sector and in the centre of this scenario, the growth of credit risk, was dominant while in case of the second scenario (called Uncertainty on the financial markets), the emphasis was put on a negative development of market factors as a result of which, other types of financial institutions got under pressure too. The impact of both scenarios was confronted with a baseline scenario based on the official December prediction of NBS (P4Q-2009). In case of all scenarios, a horizon of two years was regarded with impacts on the years of 2010 and 2011 calculated.

The triggering event of the Second Wave of Crisis scenario is an early end to non-standard anti-crisis measures on the part of individual governments and central banks. This demand shock would result in worsening of liquidity on financial markets and increased uncertainty, while these factors would cause an increase of short-term as well as long-term interest rates (increased liquidity as well as credit margins), a decrease in the price of assets and commodities, a reduction of demand and gradually lowering inflation. The scenario assumes a devaluation of the Euro against the American dollar. The Euro would revaluate against the currencies of the surrounding countries.

A drop in foreign demand would quickly be reflected in a decreasing gross domestic product and reduced inflation in Slovakia, while the above-indicated shock would culminate at the turn of the years 2010 and 2011 (Chart 10). The negative development would be reflected in the development of unemployment which would increase throughout all of the given period. Since an exact estimate of the impact of such development is relatively demanding, two scenarios to deal with the potential consequences of such shock were created, one being moderate (The second wave

Chart 9 Comparison of the structure of assets in the individual types of pension fund management company funds as of December 2008 and 2009
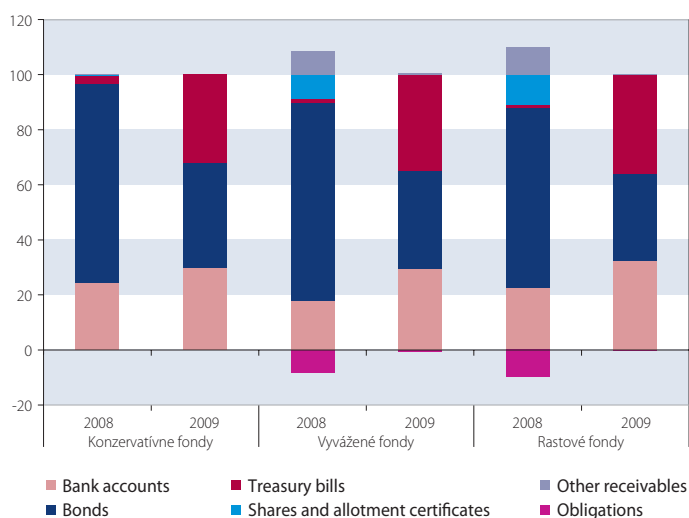
Source: NBS.

Chart 10 The second wave of crisis: the development of GDP and inflation
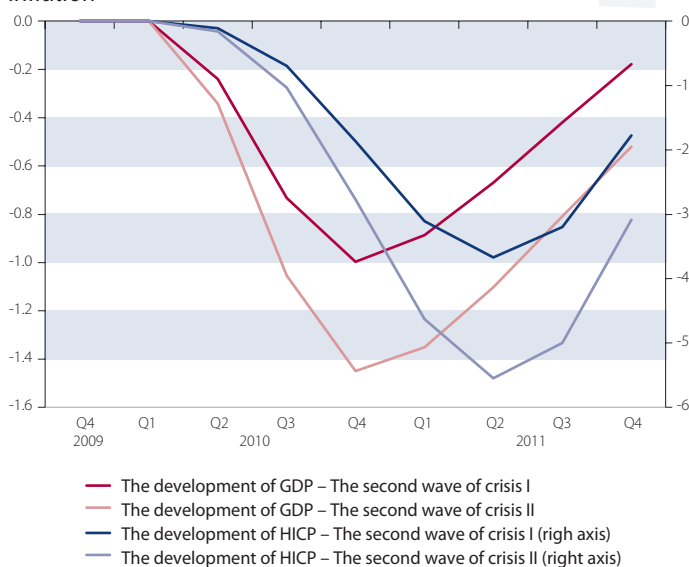
Source: NBS, own calculations.
Notes: The chart depicts the deviation from the baseline scenario. Data on the left axis are provided in billions EUR. Data on the right axis are provided in percentage points.

of crisis I) and the other more serious (The second wave of crisis II).

The scenario of Uncertainty on financial markets depicts the possible development on the financial markets in case of an increase in uncertainty with managing of public finances in some countries. This situation may stir a general growth of credit spreads, repeated decrease of securities markets and a devaluation of euro against the dollar or a greater devaluation of currencies of the Central and Eastern Europe (Chart 11).

To calculate the impact of individual scenarios, various assumptions and econometric models describing the relationships between individ-

Chart 11 Uncertainty on the financial markets: the development of the price of shares, exchange rates and discount rates
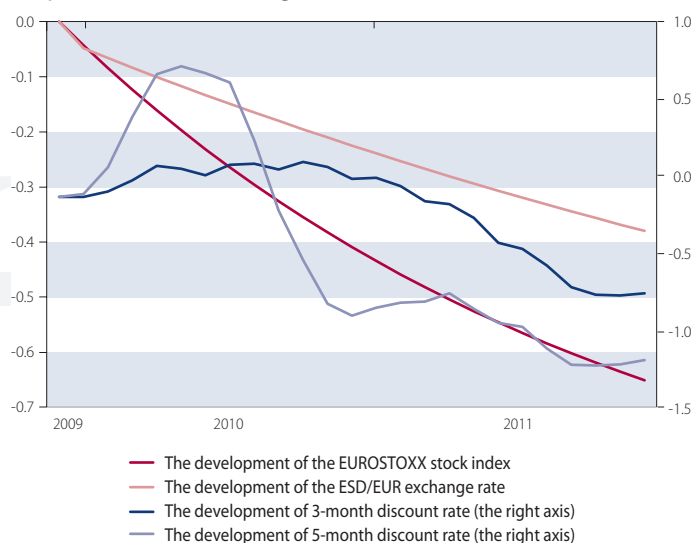
— The development of the EUROSTOXX stock index
— The development of the ESD/EUR exchange rate
— The development of 3-month discount rate (the right axis)
— The development of 5-month discount rate (the right axis)

Source: NBS, own calculations.
Notes: The chart depicts the deviation from the baseline scenario. The data on the left axis are provided in percentage. Data on the right axis are provided in percentage points.

ual macroeconomic parameters, indicators of individual types of risks and sector-specific parameters were used. Their link is shown by the Scheme 1.

The banking sector would be hit in the case of the Second Wave of Crisis I and II scenarios mainly due to credit risk. Higher losses would be booked by individual institutions due to non-performing corporate loans while non-performing house-hold loans would cause a loss at a comparable or higher level only in selected banks. While equity and foreign exchange risk seems to be significant only in case of certain banks, market risks for the sector as such turned out to be less significant.

The main source of income of bank being the net interest rate income (Chart 12) would help the banks to mitigate impacts of the shock.

These revenues together with relatively good capital position at the end of 2009 and/or with the help of profit achieved in 2009 would contribute to a relative resistance of the banking sector to the described negative scenario. This statement is based on results showing that despite assumed losses of some banks in the given two-year period, the capital adequacy would drop below the level of 8% in the case of The Second Wave of Crisis I and II scenarios only in case of two banks. In case of the baseline scenario, the capital adequacy would stay above the level of 8% in all banks.

In case of insurance companies, the greatest loss would be recorded for assets invested in the name of those insured (called unit-linked insurance), mainly due to equity and interest rate risk. For other types of insurance, interest rate risk would not have too of a negative impact and equity risk would partially be covered by profits on foreign exchange positions.

For funds of pension fund management companies, due to their conservative structure, a

Scheme 1 Macro stress testing of the banking sector: assumptions, models, estimates

◼ Assumptions entering the model

◼ Models used in macroeconomic testing

◯ Estimated model outcomes
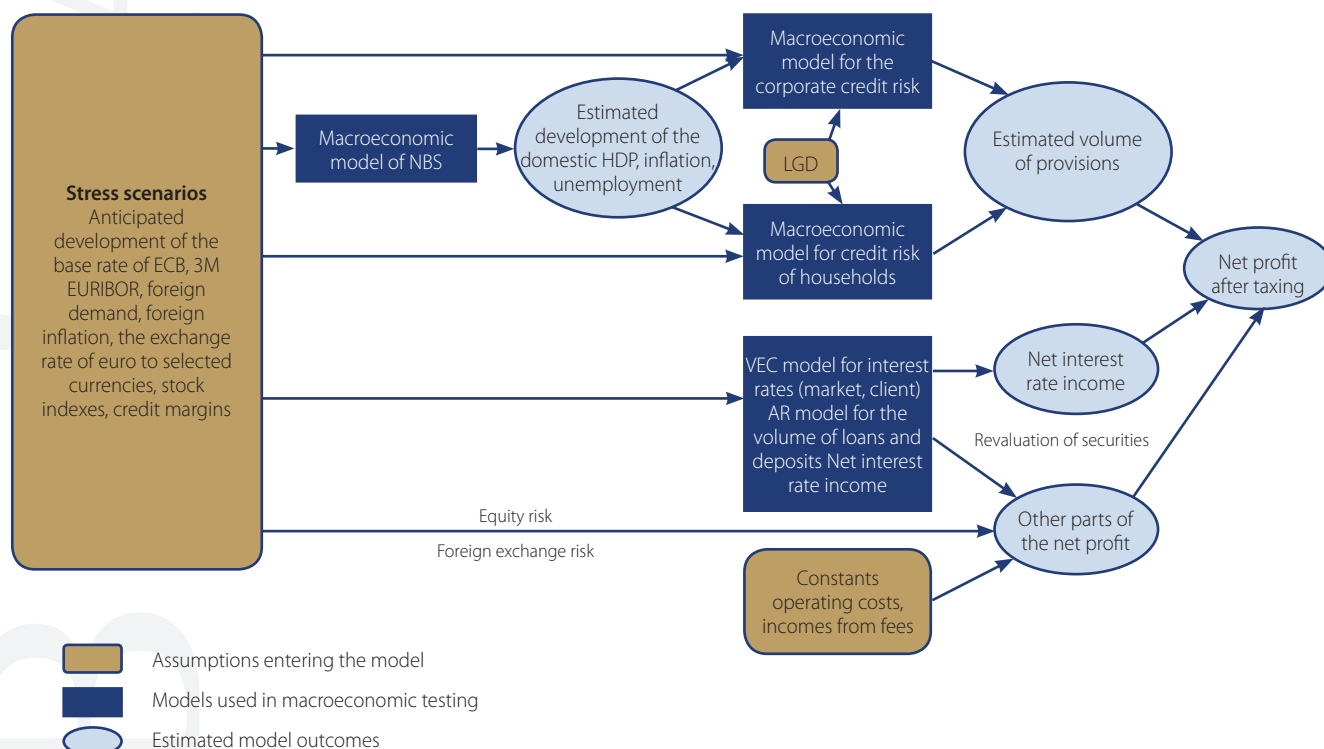
Source: NBS.

reduced rating of some of the countries which these funds are exposed to in the form of debt securities might mean a slight risk. A negative impact would, however, be softened by short average residual maturity of these securities. The impact would be stronger in case of funds of supplementary pension asset management companies due to the longer average maturity of these securities.

Funds of collective investment would reach lower profits in case of stress scenario when compared to the baseline scenario due to a decrease on the stock market that would partially be compensated by strengthening of the American dollar against the Euro.

In the end it is important to mention that since the calculation of the macro stress testing requires making a number of simplifying assumptions, these calculations serve in a greater extent for the purpose of comparing individual institutions from the aspect of risk level and identifying of possible sources of future problems rather than calculating the nominal impact of individual scenarios.

THE MAIN RISKS FOR THE COMING PERIOD

Credit risk continues to be the most significant risk on the Slovak financial market. It especially applies to loans provided to the corporate sector. The significance of this risk will depend on starting of private consumption in Slovakia and especially in the Slovak export countries. Through the unemployment rate, this development will significantly influence also the credit risk of households. This risk however may be considered less significant especially due to the relative high share of house purchase loans that typically show a lower failure rate.

A special problem is the commercial real estate, presenting a higher risk not only for the financial sector of Slovakia, but of most EU countries.

Chart 12 The development of the main estimated elements of the net profit before taxing (in billion EUR)
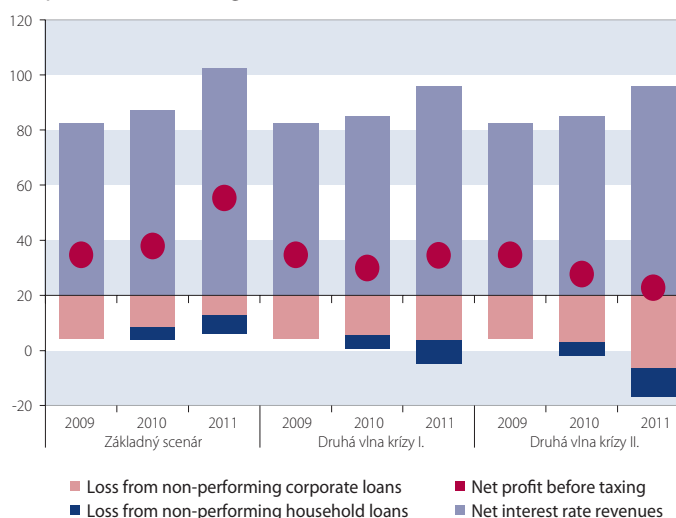
Source: NBS, own calculations.
Note: For 2009, the total costs of provisions are indicated.

A new phenomenon is the increased credit risk of governments that through investment into government bonds in a greater extent affect bank portfolios and pension funds.

Following stabilization of the financial markets, market risks for the Slovak financial sector seems to be less significant, since equity, foreign exchange or interest rate risk is higher only in selected types of funds or institutions.

However, we must not forget that the majority of Slovak financial institutions is owned by foreign entities and it is relatively difficult to predict how will these institutions manage the possible changes on the financial markets and in the real economy when the governments and central banks finish with their non-standard support measures.

The National Council of the Slovak Republic has accepted a new act on consumer credits

Ing. Vladimír Dvořáček
Ministry of Finance of the SR

The Slovak Republic transposed the Directive 2008/48/EC of the European Parliament and Council of 23 April 2008 on Credit agreements for consumers and repealing Council Directive 87/102/EEC (hereinafter referred to as the „Directive")into its legal order. The decision was taken by the National Council of the Slovak Republic on 9 March this year by accepting the act on consumer credits and other credits and loans to consumers and on amendments and supplements to some laws (hereinafter referred to as the „Act"). On 2 April 2010 the Act was published in the Collection of Laws under the No. 129/2010 Coll. It represents full harmonisation of the Slovak legal order with the EU law. It was only possible to make use of national options in specifically determined instances.

The effect of the Article 1 of the Act ensuring the Directive transposition is determined to 11 June 2010. This date is determined by the Directive for all the Member States equally to achieve not only a full content harmonisation but also the time compliance of the acceptation within the internal Community market. The new law supersedes the existing legal regulation– Act No. 258/2001 Coll. on Consumer credits and on amendments and supplements to the Act of the Slovak National Council No. 71/1986 Coll. on Slovak Commercial Inspection as amended that was amended several times and in several aspects it was not responding sufficiently to the dynamic development in the field of credit products offered to the consumers in recent years. However, the objective of the Act is not only the implementation of the European Directive. We expect that the Act will contribute to strengthening the consumer trust and will ensure high standard of their legal protection. At the same time, its objective is not to prevent further development of the market of consumer credits (hereinafter referred to as the "credit").

The Act brings completely new tools for consumer protection and/or specifies in more detail the ones implemented in former periods. It must be stressed that according to the Act, the providers of consumer credits (creditors) are not only the supervised entities– banks -- but also the so-called non-banks such as e.g. hire-purchase companies, providers of so-called "quick loans" and other legal entities. The Act is also followed by leasing companies, for the purposes of this Act leasing is also a consumer credit.

Consumer protection must be improved in the stage before making the contract on consumer credit (hereinafter referred to as the "contract"). This means especially:

- **Detailed specification of information that shall be included in an advertisement**, namely that such information is in an understandable, brief and clear form. A representative example must comprise information about the interest rate (fixed or variable), details about fees included in total fees, the overall credit amount, theannual percentage rate of expenses, the due date, and the amount of any advance or overall amount the consumer must pay including the amount and number of installments;

- **Providing pre-contract information** to the consumer on a standard form about contract terms. Before making the contract on consumer credit the consumer must be informed in writing about the contract terms by means of a form (Paragraph 4 (2) of the Act). In this way, consumers will obtain all the important information before signing the contract on consumer credit, which will provide them with the possibility to compare more easily the products offered by various creditors and will help them when deciding about the selection of the most favorable product. The former legal regulation already stipulates this obligation. Compared to the current status, the client will also be provided other information. The pre-contract information must be provided with sufficient amount of time in advance before making the contract on consumer credit. When determining the appropriate time in advance the creditor is obliged according to the situation urgency to consider the time consumer needs for reading and understanding the information and the time for potential reaction to the information provided before making a decision.

One of the material particulars of pre-contract information providing for comparability of con-

sumer credits not only within the whole EU but also providing the consumer with better orientation on the domestic consumer credits market is the annual percentage rate of expenses (hereinafter referred to as the „APRE"). It includes the value of all the liabilities – drawing, payments and fees agreed between the creditor and the consumer – and is calculated according to a mathematic formula provided in the Annex No. 1 to the Act. The consumer does not necessarily need to know the complicated method of APRE calculation, it is sufficient to compare the resulting percentage values. In pre-contract relations the APRE is stated in the form of a representative example.

The creditor is obliged to assess the consumer's creditworthiness from the point of the consumer's liabilities repayment based on relevant financial information the consumer is obliged to provide to the creditor (responsible lending). To assess the consumer's creditworthiness, the creditor is entitled also to use information about consumers from the appropriate database. The directive requires providing access for creditors to databases used for assessing the consumer's ability to repay the consumer loans. Persons processing the relevant data about consumers must provide the access to the required data also to foreign creditors under non-discriminatory conditions. Non-discriminatory conditions for foreign creditors shall mean conditions equal with the ones determined for the creditors based in the Slovak Republic.

Another important area governing the consumer protection is the contractual relationship itself and its particulars. The contractual relation of the consumer and creditor may only be made in writing because of the necessity to ensure legal surety and ensure evidence in the case of potential future disputes. The Act stipulates the particulars of the contract on consumer credit while in addition to general particulars according to the Civil Code the contract must comprise inter alia also precisely calculated APRE value and the total amount the consumer has to pay calculated based on the data valid at the time of making the contract, the amount, number and dates of instalments of the principal, interest and other fees. The contract also includes the interest rate that will be used in case of late payments, including potential fees in the case of contract violation, warnings relating to the consequences of not repaying the consumer loan, etc.

If the contract on consumer loan does not include any particulars stipulated by law, or if an incorrect amount of APRE is stated in the contract to the detriment of the consumer, the credit is considered to be free of interest and fees.

NEW INSTITUTES ENSURING CONSUMER LEGAL PROTECTIONS

Right to void the contract without stating a reason

The consumer is entitled to void the contract without providing the reason within 14 calendar days of making the contract, or from the day the consumer receives the contractual conditions. If the consumer exercises this right, the consumer is obliged to pay the principal and interest to the creditor from the day of credit drawing commencement up to the principal repayment; however, the creditor shall not be entitled for any compensation other than non-returnable fees paid to the body of general government in relation to the credit.

Regulation of the conditions of early payment

Any time during the contract validity the consumer has the right for full or partial credit repayment before the agreed-upon due date. In such instance, the consumer is obliged to pay the interest and expenses only for the time period from credit providing up to its repayment. The creditor is only entitled for compensation of expenses it incurs in relation to the consumer credit repayment before the due date, while the amount of expenses compensation may not exceed 1% of the amount of credit paid before the due date, if the period between the credit repayment before the due date and the agreed termination of the contract is more than a year. If this period does not exceed one year, the amount of such compensation may not exceed 0.5%.

Regulation of non-supervised creditors

A completely new and important measure is the implementation of the regulation of non-supervised entities. The requirement of registration of all providers of consumer credits in the registry to be maintained by the NBS (hereinafter referred to as the "creditors registry") has been implemented. Every consumer loan provider (creditor), before starting its activities represented by providing consumer loans, is obliged to be registered following a proposal for the entry into the creditors´ registry filed by it. The Act governs the procedure for creditors to be registered into the registry and the conditions they must comply with. Also banks or branches of foreign banks are registered, however, without the obligation to file a proposal for the entry into the creditors' registry. This measure will ensure that there will be a complete overview about authorised providers of consumer credits. Entities not registered will be assessed as the entities unlicensed for business. In this respect the Trades Act has been amended – the activity of persons providing consumer loans has been excluded from it. Providing or mediating of consumer loan performed till 11 June 2010 based on a trade licence (free trade), will not be a trade after that date.

Reporting liability of creditors

The reporting liabilities of creditors do not change when compared to the former regulation, but we consider them a major regulation measure ensuring the overview of newly provided credits. Also the new legal regulation comprises a provision

about submitting data about newly provided credits the aim of which is also improving information available to the consumers. Publishing average values of APRE provides the consumers with the possibility of easy comparison of specific offer with an average product on the market. According to these provisions, creditors are obliged to provide the Ministry of Finance of the SR and Národná banka Slovenska with data about newly provided credits. The scope, details, deadlines and the method of providing the data as well as the place of publishing the average data is regulated by a general legal regulation issued by the Ministry of Finance of the SR. Compared to the former legal regulation the average APRE value rather than the interest rate will also be monitored in respect to credit cards.

The new Act terminates the Slovak Government Decree No. 238/2008 Coll. stipulating the amount that may not be exceeded by the reward for consumer credit providing. It means that from 11 June 2010, the maximum amount of reward for consumer credit providing calculated from summary data about newly provided consumer credits by creditors will not be displayed on the web of the Ministry of Finance of the SR. At the same time, the Civil Code defining the data basis or the benchmark that will be followed at the assessment of the appropriateness of a reward for a consumer credit has been amended. It is stipulated that if the subject of the consumer contract is providing of financial means, the reward may not significantly exceed the reward usually required on the financial market for consumer credits in similar instances. When assessing thesimilarity of instances, especially the financial position of the consumer, manner and rate of liability securing, volume of funds provided and due date will be taken into consideration. This data base relating to the amount of reward, due date, manner of securing and volume of provided credits on the financial market is provided by the summary data about newly provided consumer credits published quarterly by the Ministry of Finance of the SR based on the reports by entities providing consumer credits. The consumer's financial situation will have to be considered on a case-by-case basis.

The legal regulation implements new obligations for intermediaries– financial agents mediating credits in relation to the consumer. For example, the financial agent is obliged to indicate in the advertisement and documents determined for consumers the scope of its powers, especially if he works exclusively for one or several creditors. At the mediation also in the field of providing credits the Act No. 186/2009 Coll. on Financial mediation and financial advisory and on amendments and supplements to some laws is applied.

CONTROL, SANCTIONS AND OTHER CONEQUENCES OF THE VIOLATION OF CREDITORS´ LIABILITIES

As in the former regulation, this Act also entrusts control and power for imposing sanctions to the Slovak Commercial Inspection. If the controlling body finds any drawbacks in the activity of the creditor or financial agent represented by the failure to comply with or avoiding the provisions of the Act, it is entitled, depending on severity, scope, period, consequences and nature of the drawbacks found, to impose measures against the creditor or financial agent to remove the drawbacks found or to impose a fine up to EUR 70,000, and with a repeated or significant drawback up to EUR 140,000. The Act stipulates specific provisions the violation of which represents a reason for imposing sanctions.

WHAT IS NOT CONSUMER CREDIT

The Directive also specifies types of contracts that are not consumer credit and to which the Act does not apply. These are, for example, credit contacts secured either by a mortgage or by other comparable securing, credit contracts the purpose of which is acquisition or preserving of ownership titles for land or existing or planned construction, credit contracts with the amount of less than EUR 200 and more than EUR 75 thousand; credit contracts in the form of permit for overdrawing, credit contracts according to which the credit must be repaid within one month; credit contracts according to which the credit is free of interest and other fees; credit contracts according to which the credit must be repaid within three months and only minor fees etc. are due.

The Act has been amended after a cross-sectoral comments based on the comment by the Ministry of Justice of the SR in such a way that some of its provisions also apply to credits and loans that are not consumer credits (so-called other credits and loans) and that are provided to consumers by other creditors except for the creditors that are financial institutions. This applies especially to the provisions about pre-contract information, particulars of the contract, registration in the creditors' registry and the control and sanctions.

About Analysis of Slovak Financial Sector for 2009

NBS held a press conference at the occasion of release of Analysis of Slovak financial sector for 2009, at which Slavomír Šťastný, Member of the Bank Board of the NBS (first right at photo), responsible for the supervision and regulation of the financial market and Marek Ličák (center), Head of Financial Market Risks Analyses Section, as well as Štefan Rychtárik (first left), Analyst of Financial Market Risks Analyses Section informed the media about condition of financial sector in SR and opinion of central bank on this sector.

Photo: Igor Plávka

"With gradual transmission of global crisis to domestic economy, the banking sector has experienced the crisis in 2009 as well. In comparison with 2008, its profitability has decreased, since it recorded a year-on-year decline by almost 50%. In addition to growth of costs for covering of credit losses and stagnation of interest revenues, also a decline in foreign exchange revenues of banks as a consequence of introduction of single Euro currency affected it. We appreciate the development of capital adequacy of banks which indicated the capability of banks to manage a possible unexpected rise in losses. In the course of 2009, several banks increased their own resources. It is possible to describe the behaviour of banks and whole sector as conservative one," Slavomír Šťastný said in introductory remarks at the press conference.

"Banks have paid more attention to credits with higher probability of return in the sphere of crediting. The funding of company sector has been reduced, banks paid their attention to less risky industries and subjects on one hand, and on the other hand, the cause is a decrease in demand for new credits. Overall, the worsening of the situation in the Slovak economy in 2009 had also an impact on growth of credit risk of bank sector, while this risk increased especially in connection with the real estate market. Although this risk has also increased in the household sector, the impact of the crisis was milder than in the company sector. However, it is important from a long-term point of view to note that most of our banks continued to cover credit activities with clients' deposits. Generally, it is possible to evaluate the Slovak banking sector as a stable one.

A resistance of the banking sector against possible negative development was also confirmed by stress testing, at which a scenario of repeated worsening of economic development at home as well as in abroad, as well as the one of rising uncertainty on financial markets has been simulated," S. Šťastný emphasized.

In addition, he briefly evaluated the situation in the insurance sector in 2009 - it was characterized by a decline of technical insurance premium as well as by profit increase. A drop in technical insurance premiums was more substantial in life insurance, a decrease occurred especially in investment life insurance. It was an important finding since just in this section of insurance sector, special investment life insurance (so called unit-linked products) reported the highest gains of premiums among all insurance groups in the long-term. The profit of insurance companies has increased by 28.4%, also due to the increase of rest of financial operations. Gradual stabilization of financial markets, especially starting from the second quarter 2009, had positive impact on sectors of pension saving and collective investment, thus on sectors which handle trusted sources. In 2009, there was a significant change in the structure of portfolio of all pension funds in the sector of retirement pension saving, since their stock component almost ceased to exist, their bond component also substantially decreased and the share of treasury bills increased. Now, the assets from these funds face the risk of concentration due to low diversification of bank deposits into particular banks. There is a risk of worsening of issuer ratings, especially due to rise of share of investments into bond securities issued by states with higher indebtedness rate. But at the end of the year, year-on-year performance rate of balanced and growth pension funds has reached positive values for the first time from the beginning of crisis in the autumn of 2008.

In collective investment, along with growth of stock markets, the interest of investors to invest into unit funds has been gradually increasing and now is stabilized. The extent of exposure to risk did not substantially change in most sectors of financial market during 2009.