

THE END OF ONE STAGE IN ENSURING CASH CIRCULATION IN THE SR

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Following the division of the Czechoslovak State Bank on 1 January 1990 into the issuing Czechoslovak State Bank (CSSB) and the commercial banks (Všeobecná úverová banka (VÚB), Investičná banka, and Komerční banka), almost all the buildings of the CSSB in Slovakia where issuing activity had been performed were assigned to VÚB. The CSSB retained only two buildings in Slovakia, one in Bratislava and the other in Banská Bystrica.

The insufficient storage capacity of the storage places for holding the necessary money supplies, insufficient premises and low capacity of the equipment for processing money did not meet the needs of the issuing bank. Therefore, on the basis of a letter by the director of accounting and treasury administration at the CSSB head office, dated 7 August 1999, thirty eight branches of VÚB were commissioned to store Czechoslovak money and foreign currency supplies. In the framework of rationalisation measures in 1991, the CSSB gradually reduced the number of branches commissioned to administer and redistribute money supplies. This meant that in the SR, of the original 38 commissioned branches of VÚB, the administration and redistribution of supplies was gradually cancelled in 14 branches.

Prior to the division of the Czechoslovak Federal Republic, and thereby also the CSSB into two separate issuing banks of the sovereign states, a mandate agreement of 28 December 1992 was concluded between the CSSB head office for the SR and the VÚB head office on the administration and redistribution of Czechoslovak money supplies of the CSSB at storage places of VÚB branches, determined by the CSSB. VÚB was the only one of the commercial banks in the SR to have the background and practical experience to perform the holding and administration of money supplies for the CSSB. At 28 December 1992 under the mandate agreement 24 branches of VÚB were still commissioned to perform the administration and redistribution of Czechoslovak money supplies in the SR, where 9 fell within the competence of the CSSB Bratislava branch, 7 within the competence of the CSSB

Banská Bystrica branch, and 8 within the competence of the CSSB Košice branch.

The National Bank of Slovakia (NBS) was established on 1 January 1993 on the basis of Act of the National Council of the SR No 566/1999 Zb. on the NBS as later amended.

The 8 February 1993 was chosen as the date for monetary split, and, beginning this day, the NBS began to ensure the gradual exchange of Czechoslovak bank notes and coins for Slovak (stamped banknotes and Slovak coins). In connection with performing this operation the bank commissioned a further 15 branches of VÚB to administer and redistribute Slovak money supplies of the National Bank of Slovakia, (hereinafter "commissioned VÚB branches"), bringing the total number to 39.

In 1994 the currency circulation department of the NBS drew up a policy document on the need for the Bank's own storage and processing places in the SR, where this included the proposal for gradually reducing the number of commissioned VÚB branches over several stages. The Bank Board of the NBS approved the policy document. The reason for drawing up the policy document had been the proposal of the final solution, i.e. to store and process money exclusively at the Bank's own storage and processing places and by the NBS's own staff. The proposed policy document led to the building of 6 of the Bank's own storage and processing points at sub-branches in Trenčín, Nové Zámky, Žilina, Lučenec, Humenné and Poprad, and the cancellation of supplies administration in commissioned VÚB branches by the end of 1997. The criterion for situating the NBS's new storage and processing places was, in the field of the NBS's competence, the number of banks in connection to the current existence and distribution of NBS sub-branches and their distance from NBS branches.

In the period following the policy document receiving approval and its complete implementation many changes occurred, in particular regarding the distribution of sub-branches. The changes to the proposed distribution were in consequence primarily of the State Treasury Act.



In gradually cancelling the administration of supplies at commissioned VÚB branches the principle applied was one of retaining a balanced distribution of storage and processing places from the geographic aspect and with regard to the capacity of the NBS processing and storage places. Of the original 39 commissioned VÚB branches, over the years 1995 and 1996, these operations were cancelled in 21 commissioned VÚB branches, where this was made possible mainly by beginning operations at the new building of the NBS Košice branch and by completing storage premises at the NBS Banská Bystrica branch. Over the years 1999 to 2001 the storage and administration operations were cancelled at a further four commissioned VÚB branches, where this was made possible by free storage and processing capacities at the NBS Košice and Banská Bystrica branches. A prerequisite for cancelling the administration of supplies in the remaining 14 commissioned VÚB branches was the completion of the construction of the NBS sub-branches at Trenčín, Nové Zámky, Žilina, Lučenec, Humenné and Poprad. Their construction was realised in accordance with a decision of the Bank Board in 2000 in connection to the policy document of 1994.

At the meeting of the NBS Bank Board in January in 2004 there was approved the performance of issuing activity at the NBS new sub-branch buildings and the cancellation of the administration and redistribution of money supplies at the remaining commissioned VÚB branches.

Over the course of the months April to June 2004 all six NBS sub-branches started to receive and process money supplies from the commissioned VÚB branches and from other NBS storage places so that they had sufficient money supplies and were able to commence the full performance of issuing activity.

Difficulties at the beginning of the sub-branches' activity during the three months June – August 2004 were caused also by the need to perform two different types of activity, namely activities connected with administering the accounts of clients of the state budget and with the termination of their administration at the NBS sub-branches (transferring these operations into the competence of NBS branches, archiving the respective documentation, etc.), and at the same time performing activities connected with the storage and processing of money supplies transferred from the remaining commissioned VÚB branches.

Prior to the cancellation of the commissioned operations in the remaining 14 commissioned VÚB branches it was necessary to transport the money supplies, where here there were taken into account not only the regional aspects of their distribution (9 in the competence of the NBS Bratislava branch, 2 the Banská

Bystrica branch and 3 the Košice branch), but also the dates of the individual sub-branches' commencing issuing activity, the balanced use of machine capacities for processing money, and the storage capacities of vaults. From the commissioned VÚB branches there were gradually transferred to the sub-branches, branches and main treasury department of the NBS more than 24 000 parcels of banknotes (around 24 tonnes) and 116 000 bags of coins (around 348 tonnes).

The NBS head office and branches gradually concluded new, updated contracts with commercial banks, in respect of which VÚB terminated contracts on the receipt and issuing of money in sealed packages. In accordance with the Bank Board of the NBS the sub-branches over the course of June to August were able to commence the full performance of issuing activity, i.e. receiving and issuing money in sealed packages to commercial banks.

At the remaining fourteen VÚB branches the commissioned operations were cancelled at the following dates: 30 June 2004 at the six commissioned VÚB branches (Dunajská Streda, Senica, Topolčany, Žilina, Humenné, Rožňava), 31 July 2004 at four commissioned branches (Komárno, Levice, Trenčín, Žilina), 31 August 2004 at three more (Bratislava – Ružinov, Nitra and Trnava) and 30 September 2004 at the branch in Poprad.

The termination of the commissioned operations was ended definitively on 30 September 2004 when the NBS, pursuant to the mandate agreement between it and VÚB, dated 28 December 1992, in the wording of appendices 1 to 8 terminated the force of the mandate agreement and VÚB accepted this.

The full commencement of the operation and performance of issuing activity at the NBS sub-branches, since the establishment of the central bank, represents the fulfilment of one of the important decisions taken by the NBS back in 1994 when the policy document on the need for NBS storage and processing places was prepared.

It may be said that all tasks connected with the gradual cancellation of the administration and redistribution of supplies of Slovak money at the commissioned VÚB branches and with the commencement of issuing activities at the new buildings of the NBS sub-branches were fulfilled in the terms set and in the full extent due in large part to the good cooperation of all the parties involved. At the NBS conditions were created at its organisational components enabling the performance of activities connected with the highly efficient administration of supplies without the need for the participation of any commercial banks. Thus a new stage in ensuring cash circulation in the Slovak Republic has begun.