



The application program system STATUS DFT – the first year of activity

Ing. Michaela Slobodníková, Ing. Janka Sulíková
Národná banka Slovenska

The government of the Slovak Republic has adopted the Act No. 747/2004 Coll. of December 2, 2004, thereby deciding to establish an integrated supervision over the Slovak financial market from January 1, 2006. As at that day, all powers, terms of reference and responsibility for the supervision over capital market activities, insurance companies and pension saving passed to Národná banka Slovenska (NBS), which had supervised only the activities of banks until the end of 2005. As a result of the new activities, the need to ensure the collection, processing and storage of the data of Slovakia's financial market entities has arisen, among other things, in the NBS. The NBS has prepared a project whose result has been the application program system (APS) STATUS DFT. It has been active since January 2, 2007.

Besides making its supervisory and regulatory activity more efficient, the expectations from the integrated supervision over the financial market, whose direction and coordination has been taken over by the NBS, included the simplification of communication with the supervised entities. As a result, the NBS has the task to ensure the collection, processing and storage of the data of financial market entities. As early as during 2005, the NBS took the first steps to achieve this aim. The first analyses and preparatory work for the development of a new system started out from the current APS STATUS, which, at the given time, served for the collection, processing and storage of data from commercial banks.

Due to its long-term reliability and security in gaining data from bank entities, the technological basis during compilation was constituted by the APS STATUS DFT. The functional specification and the technical and operational demands the NBS had made on the development of the new system were based on several facts. The most important facts included the need to take into account a far greater number of financial market entities, various categorizations of the entities and the possibility to create statements on behalf of other entities.

The preparation process of the new application system had two phases. The first phase started on 24 October 2005 by the preparation of a functional specification of the system, on which employees of the NBS and of the former Financial Market Section (ÚFT) have collaborated. The cooperation of both – at that time independent – institutions was inevitable, because until then the employees of NBS did not have experience in carrying out supervision over the capital market, the insurance business and pension saving, and therefore they did not even

know the requirements for reporting in this field of the financial market. The ÚFT representatives, on the other hand, did not know the functioning and possibilities of the APS STATUS used at that time. The second phase, which started on April 1, 2006 by updates of the functional specification, ended in December 2006 by accepting the system.

An important part of the preparatory work for the development of the new system was the support of data collection through APS STATUS DFT by legal regulations. The existing legal regulation did not take into account the electronic data collection (except banking). The legal regulation of reporting through APS STATUS DFT has required modifications of several special laws that have regulated the individual segments of the financial market, as well as of the regulations to implement them.

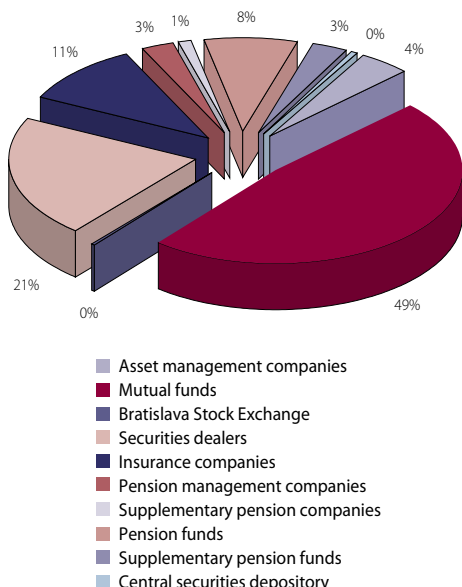
The result of the project has been a fully functional application program system STATUS DFT, which finished the first year of its "sharp" operation on January 2, 2008.

THE FUNCTIONALITY OF APS STATUS DFT

APS STATUS DFT has been created to ensure automated collection, processing and storage of data of the reporting entities financial market, with which it communicates by means of the internet, thereby enabling two-way communication between the NBS and the reporting entities. It consists of two subsystems: STAVYD-DFT and STATAN-DFT. The STAVYD-DFT subsystem ensures the collection of data, their revision, processing, storage in the database and sending to the STATAN-DFT subsystem. The Lotus Notes 6.5 and MS Excel environment has been chosen to implement the STAVYD-DFT subsystem. The STATAN-DFT subsys-

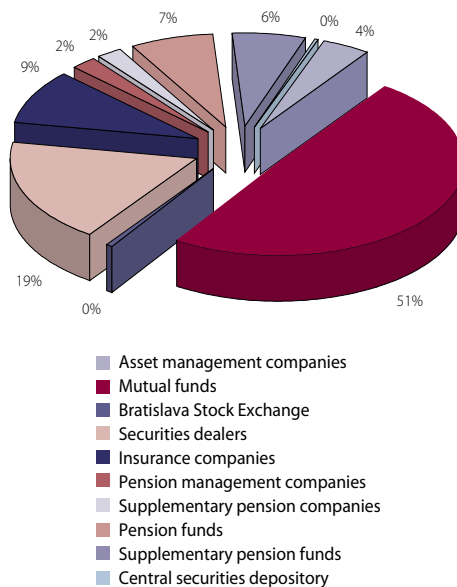


Chart 1 Representation of entities in the APS STATUS DFT as at 2 January 2007



Source: NBS.

Chart 2 Representation of entities in the APS STATUS DFT as at 31 December 2007



Source: NBS.

tem serves for data storage, processing and analysis. This part of the system has been implemented on the basis of OLAP technology in the Oracle Express environment.

Besides basic functions (collection of input statements, designing input statement models and their outputs, designing of surveillance relationships), the APS STATUS DFT enables, by cooperation of both of its subsystems, e.g.:

- to automatically send reminders of undelivered input statements,
- to store statistical data and their analysis,
- on-line access to statistical data,
- the possibility to create various views on statistical data and their export to the MS Excel environment,
- to create outputs according to the requirements of the individual users,
- to create time series,
- a simple statistical analysis,
- to compare selected data etc.

DATA SECURITY AND PROTECTION

APS STATUS DFT ensures a certified data transfer. Each operation with an input statement is verified by means of a digital signature, which is assigned by the NBS to the reporting entities on the basis of a signed request for access data assignment for each statement individually. This enables to unambiguously ensure a protected data transfer to the NBS and enables to precisely define the responsibility of users in the entity for the sent statement or for approving the statement or rejecting the statement on the part of the NBS.

FIRST YEAR OF THE EXISTENCE – EVALUATION

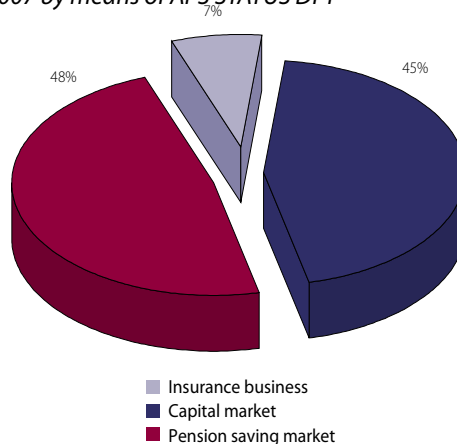
The fully functional APS STATUS DFT was put into action on January 2, 2007. As at that date, the to-

tal number of connected reporting entities was 225. (Because all mutual funds managed by asset management companies, pension funds of pension management companies and supplementary pension funds of supplementary pension companies are shown as independent entities in APS STATUS DFT). This number increased to 244 entities at the end of 2007. At the beginning of the activity, 125 statement models, containing parts with a constant or a variable amount of data (72 models for the capital market, 34 models for the insurance business and 19 models for the pension saving market), were available.

In 2007, 47 371 input statements were received by means of APS STATUS DFT. (3377 statements for the insurance business, 21 251 statements for the capital market and 22 743 statements for the pension saving market.)

The content of statements sent to the NBS by the supervised entities is mostly accounting

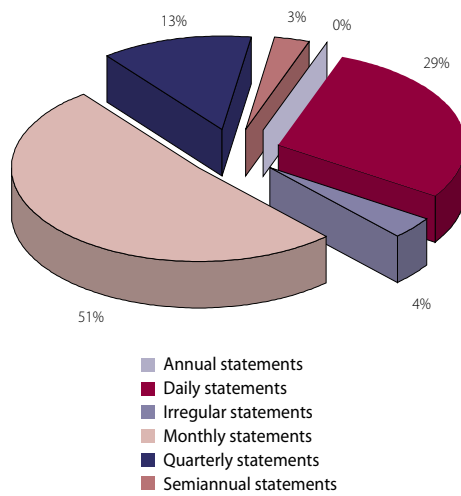
Chart 3 Representation of statements received in 2007 by means of APS STATUS DFT



Source: NBS.



Chart 4 Statement periodicity: Capital market



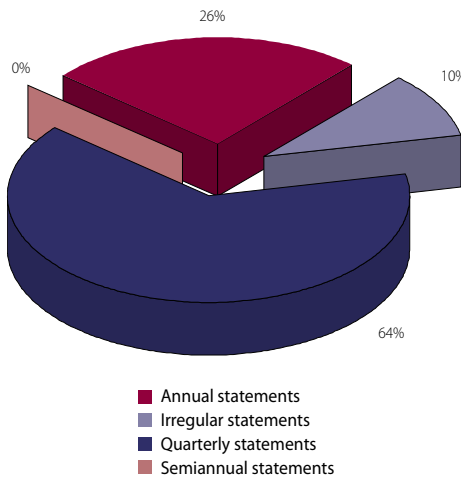
Source: NBS.

data, but there are also reports on concluded transactions (Securities Dealers, Bratislava Stock Exchange), reports on performed security transfers (Central Securities Depository), daily reports on each asset transaction (in the case of pension funds), asset management statements of an asset management company, mutual fund, statements of fees charged to clients, statements of the individual industries and types of insurance (insurance companies), solvency calculations (insurance companies), as well as statements containing record-keeping data, such as lists of shareholders, reports on the dossiers of the supervised entities etc.

Each statement includes projected checks, which ensure a correct data transfer according to preset rules:

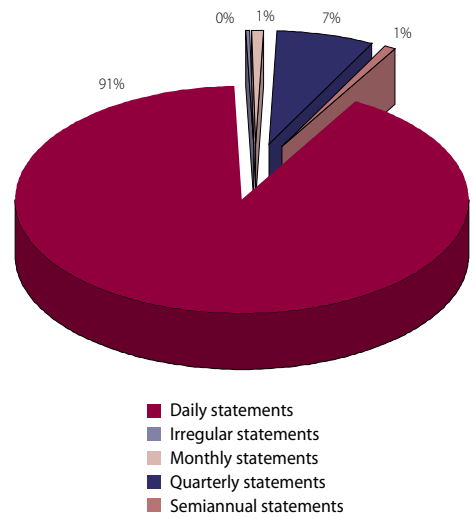
- intra-statement checks – cells between parts of the same statement are checked
- inter-statement checks – cells from one statement are checked with respect to cells from another statement

Chart 6 Statement periodicity: Insurance business



Source: NBS.

Chart 5 Statement periodicity: Pension saving market



Source: NBS.

- inter-entity checks – cells from one statement of entity A are checked with respect to cells from another statement of entity B.

A characteristic feature of reporting is the differing periodicity of statement presentation, resulting from the peculiarities and needs of an integrated supervision in the individual segments of the financial market and from the statistical needs of the NBS. In terms of periodicity, the statements in the database of input documents are divided into irregular documents, which are sent when needed, and regular documents, which are sent daily, in the set decade, monthly, quarterly, semiannually and annually.

The time intensity and material intensity of the sending and processing of statements is quite different for the reporting entities and for the NBS. While a reporting entity, depending on its categorization, creates and sends one or two statements daily to the NBS, for the NBS this implies the need to process at least 110 statements daily. In the case of wrongly filled in data in the statements, this daily processing intensity even increases.

USING OF APS STATUS DFT

The financial market provides a picture of each economy, characterized by its dynamic and constantly changing nature. The application program system STATUS DFT facilitates the efficient performance of the regulatory role of the NBS in this developing environment. In this respect, it represents an important means of communication with financial market entities, which is used by NBS as a source of information needed for remote supervision, it frequently represents a stimulus for on-the-spot supervision, serves for the performance of quantitative analyses, risk management, it is interconnected with external systems and, last but not least, serves for drawing up statistical outputs and overviews used by both national and supra-national institutions.