Meetings of the NBS Bank Board

On 8 March 2002, the 5th Meeting of the Bank Board of the NBS took place, chaired by the Governor, Marián Jusko.

• The Bank Board of the NBS approved the draft of the Act on the transfer of funds, on electronic means of payment and on payment systems (Payment System Act) and on amendments and supplements to certain laws. The aim of the bill on the payment systems is to harmonise the legislation of the Slovak Republic with that of the EU in the area of the domestic and the cross-border payment systems.

The effectiveness of the Act is proposed to be on 1 January 2003, with the exception of certain provisions, the effectiveness of which is proposed to be on the day of the Slovak Republic's accession to the EU. The Act is in harmony with the legal regulations of the European Communities and the European Union.

• The Bank Board of the NBS also approved the Decree on the issue of a commemorative silver coin with nominal value of SKK 200 with the theme of UNESCO World Heritage – Vlkolínec, the Folk Architecture Reserve.

The 6th Meeting of the Bank Board of the National Bank of Slovakia was held on 22 March, 2002, chaired by Marián Jusko, Governor.

• The Bank Board of the NBS approved the Situation Report on Monetary Development in Slovakia in February 2002. The Bank Board assessed the recent economic and monetary development and also paid attention to the key factors which would influence the economic development of Slovakia in the future. The Bank Board of the NBS focused especially on the assessment of both the current and estimated inflation development, and also the current account of the balance of payments. Development in terms of both the headline and core inflation was in line with the NBS expectations in February. It is therefore vital, especially in the area of the public finance development, to take necessary steps for restrictions in domestic demand and mainly in the final consumption of the public administration. External trade deficit in January was higher compared with the same period last year, as the decline in exports was sharper than in imports. Besides the impact of a slow economic growth of our trading partners on the trade balance, the dynamics of import for final consumption accelerated on the import side of the balance. The negative effect of this development becomes more apparent in the context of accelerated growth of the final consumption of households in the last quarter of 2001. Despite decreased inflation, the development of external trade deficit, the import structure as well as the substantial acceleration of the growth of the final consumption of households and public sector in the 4th quarter of 2001 all suggested the possibility of negative demand pressures arising. In the light of this development, the Bank Board of the NBS decided to leave the key interest rates unchanged.

• The Bank Board of the NBS approved the Report on the 2001 Result of Operations of the National Bank of Slovakia.

The NBS operations for 2001 resulted in profit equalling SKK 2.3bn, whereby the NBS not only met, but even exceeded, the estimated profit set for the 2001 NBS Budget. The NBS transferred to the state budget of the Slovak Republic SKK 2bn from its 2001 result of operations. Together with transfers from its profit in 2000, the NBS thereby transferred to the 2001 Central Government Budget more than SKK 5bn.

• The Bank Board of the NBS took into account the Auditor's Report prepared by DELOITTE & TOUCHE, s.r.o. on the NBS's financial statements as of 31 December 2001. The audit was conducted in accordance with the Slovak Auditing Standards and the Accountancy Act valid in the Slovak Republic. The Auditor expressed its opinion in the Report that the financial statements of the bank present fairly, in all material respects, the financial position of the bank as of 31 December 2001, and the results of its operations for 2001.

The 7th Meeting of the Bank Board of the National Bank of Slovakia, chaired by Marián Jusko, Governor, was held in the town of Kremnica on 5 April 2002.

• The Bank Board of the National Bank of Slovakia approved the paper on the Assessment of the Domestic Financial Markets Situation in 2001. It can be said that the domestic money market has been stable after the introduction of the NBS interest rates system, there has not been unusual volatility of interest rates. The loan market has been strongly influenced by the completed restructuring of the banking sector. A slight increase in granted and drawn loans has occurred.

In the deposit and loan market, the influence of clients' deposits on the price of lending assets has increased. The Slovak koruna exchange rate was sufficiently stable over 2001. Therefore, no larger corrective monetary interventions were needed. There was a moderate growth in spot trading on the foreign exchange market, within which the share of transactions in the Euro also increased. As in the previous years, the domestic banking system has preferred derivative swaps, mainly between domestic and foreign banks. The capital market, with different development in individual segments, brings a peculiar picture. In spite of minor problems, the part of the capital market trading in government bonds has retained the level achieved so far. The ongoing decrease in yields from government securities may be considered very important on the issuer's side.

The ongoing inadequate, or even minimal, secondary trading in these risk-free assets has been a more serious issue. In view of other segments of the market, i.e. corporate bonds and equity securities, the picture from previous years has remained. These markets have been underdeveloped and stagnant, any positive changes have not been convincing and a longer period is necessary to have them confirmed. A low turnover and a low interest, along with well-known economic and psychological phenomena, have highlighted its confusing and unreadable character.

• The Bank Board of the NBS approved the Summary Report on Realization of the NBS Investment Policy in the Area of the Foreign Exchange Reserves for 2001. In this view, the last year may be considered as a success: The total yield from the foreign exchange reserves for 2001 is approximately SKK 9bn.

Press department OVI NBS

Annual Results of ING Group in the SR

ING Bank N. V., Bratislava branch reported in 2001 total assets in the amount of 24 644 024 thousand SKK. Loans provided to clients totalled 12 928 692 thousand SKK, 64% of which were provided in SKK. Liabilities in respect of banks stood at a total of 8 290 873 thousand SKK, liabilities to clients 13 093 410 thousand SKK. The preliminary pre-tax operating result as at 31.12.2001 was 186 255 thousand SKK. Revenue from financial activities represented 3 440 661 thousand SKK and expenses for financial activities 2 712 226 thousand SKK. The bank's operating expenses were 534 311 thousand SKK. ING bank N. V., Bratislava branch in 2001 did not create provisions for loan losses. The positive results achieved by ING bank N. V., Bratislava branch, are credited, among others, to the increased attractiveness of Slovakia for foreign investors, an increase in competition between banks and a decrease in and stabilisation of interest rates. The bank in the past year began a retail banking project aimed at individual clients, and which it will continue with in 2002 with the new ING deposit account product with preferential interest rate.

A part of the ING Group in the SR is also the life insurance company ING Nationale – Nederlanden, the share capital of which is 462.8 million SKK. In 2001 it reported a growth in its gross profit of 114% from 90 317 thousand SKK to 193 034 thousand SKK. Gross written premium grew to 1 878 334 thousand SKK, i.e. by 14%, and the rate of growth in the number of insurance policies in force reached 18%, from 108 278 to 127 707.

At the end of March 2002 the ING Group in the framework of a pilot project introduced a new internet portal www.my-ing.sk integrating the retail portals of ING Slovakia available to date, and thus connecting both banking and insurance services, offering valuable financial information and fulfilling the role of financial advisor.

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Is there such a thing as safe investments?

At the end of March the centre of Independent Journalism organised a round table on the topic of "Do safe investments exist?" The event's guests were financial mangers of the Association of Asset Management Companies, who explained why unit trust funds are one of the safest investments. The manner of the creation and management of unit trust funds is governed by Act no. 385/1999 on collective investment as amended. The basic and characteristic feature of unit trust funds is the administrative and accounting separation of the assets of the funds from the management of the asset management companies. Assets in a fund are not the property of the asset management company, and from these assets the company may not provide gifts, financial loans nor in any way guarantee the liabilities of other entities. It is also very strictly defined all what an asset management company may acquire into the assets of a unit trust fund: at least 50% of assets must be invested in listed securities. Adherence to the rules of limitation and diversification of risk is supervised by the Financial Market Authority. Moreover, no operations with assets in a unit trust fund are performed by an asset management company directly. There exists here a check from the depository, which by law may be only a bank or a branch of a foreign bank. The depository also supervises whether the asset management company is executing the purchase and sale of securities for the best prices available for the unit trust fund. It thus has a decisive influence in minimising the risk of fraud or illegal asset stripping of the unit trust fund.

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Financial Market Regulation

The Association of Securities Traders (AOCP) at a meeting with journalists on 25.3.2002 presented the AOCP's opinion on the issue of financial market regulation and the composition of the Financial Market Authority. International experience points to the fact that there is an integration of the supervision over the individual parts of the financial market, stated Igor Hornák, chairman of the executive committee of the AOCP. In principle, it can be said that this is also a step in the right direction, he added, nevertheless the situation in the SR is a little different – not all the components of the financial market are equally developed. Representatives of the Association of Securities Traders therefore reckon that the currently integrated supervisory authority may for various reasons underestimate the development of individual fields of the financial market.

In connection with the appointment to new posts in the Financial Market Authority, the chairman of the executive committee of the AOCP emphasised at the press conference that professional criteria should certainly dominate in selection and added that the Financial Market Authority has begun to perform its function and assert itself in the financial market in the given legal framework.

Representatives of the Association of Securities Traders again presented their ambition to become a self-regulatory organisation following the re-licensing of its members in connection with the effect of the new act on securities and investment services.

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FMA at Government meeting

Members of the bodies of the Financial Market Authority (FMA), who had been approved by the Government at its meeting of 3.4.2002, entered their posts on April 4. Ministers however did not approve František Palko for the position of director general of the FMA and did not consent with Rudolf Janáč becoming deputy director of the FMA Board for Supervision over the Insurance Industry. František Hajnovič, the Minister of Finance, submitted new proposals to the Government for appointments to these posts. Jozef Makúch remains the chairman of the FMA's Board and a former member of the board, Slavomír Šťastný, became the deputy director for supervision over the capital market. According to I. Mikloš the comments of international institutions on the Authority's functioning during the past months have been positive. The director of the banking and foreign exchange relations supervision subsection Viliam Harvan and the chief director of the NBS banking supervision section, Milan Horváth, both became members of the Board.

(Source: SITA agency)