



## MEETINGS OF THE NBS BANK BOARD

### **The 12th Meeting of the Bank Board of the National Bank of Slovakia was held on June 13, 2003 chaired by Marián Jusko, Governor.**

- The Bank Board of the National Bank of Slovakia approved the Plan of the Commemorative Coins Issue for 2005. This plans the sequential issue of four commemorative coins. Two of them, a silver commemorative coin with the nominal value of SKK 200 and a gold commemorative coin with the nominal value of SKK 5000, will commemorate the 350th anniversary of the coronation in Bratislava of Leopold I. A silver commemorative coin with the nominal value of SKK 500 will be dedicated to The Slovak Karst National Park and a silver commemorative coin with the nominal value of SKK 200 will commemorate the 200th anniversary of the signing of the Peace Treaty, known as the Bratislava Peace, after the victory of Napoleon I in the Battle of the Three Emperors, at Slavkov (Austerlitz).

### **The 13th Meeting of the Bank Board of the National Bank of Slovakia was held on June 27, 2003 chaired by Marián Jusko, Governor.**

- The Bank Board of the NBS discussed the Situation Report on Monetary Development in Slovakia in May 2003. The slight decrease in the year-on-year dynamics of headline inflation as well as the stabilised development of core inflation were in compliance with the NBS expectations. The price development does not further indicate the existence of demand inflation pressures. The secondary effects of regulated prices and indirect tax adjustments from the beginning of the year are gradually fading out. This is confirmed by the stabilization in the year-on-year dynamics of net inflation, excluding fuels, which had a rising tendency in the first months of the year.

According to the preliminary data from the Slovak Statistical Office, the real GDP growth was 4.1% in the first quarter of 2003. The economic growth was particularly affected by a positive contribution of net exports, influenced by a high dynamics in the export of goods and services. The final consumption of households, within domestic demand, was a driving force having an impact on the GDP development of households; the growth of final consumption was, however, reduced nearly by half in comparison with the previous periods. It was connected with the impact of the regulated prices and indirect tax adjustments on effective demand and inflation. Along with the moderation in the

nominal wage growth, there was a moderate decrease in real wages in the first quarter of 2003. On the other hand, the growth of GDP was restrained by a decline in the public sector final consumption and by lowering the gross fixed capital creation.

The GDP structure development as well as the current development of prices and its predictions do not indicate demand inflation pressures. The price development is particularly determined by cost factors. The expected increase in excise duties should neither stimulate adverse secondary effects. This increase will partially show itself already in the June inflation. However, the current data on the disposable gross income distribution in the first quarter of 2003 indicate a further decrease in savings, in favour of consumption. The Bank

Board of the NBS, also taking into account this development, considers the current level of interest rates appropriate. It therefore decided on maintaining the overnight sterilisation rate at 5%, the overnight refinancing rate at 8% and the two-week REPO-tender limit rate at 6.5%.

- The Bank Board of the National Bank of Slovakia approved the document "The Rule Book for the NBS Foreign Exchange Reserves Management". The Rule Book includes a set of principles and rules which define the function of the NBS on the world financial and capital markets, specify the methods of individual types of risks management and determine the delegation of powers and responsibilities for the foreign exchange reserves management.

- The Bank Board of the NBS also approved a change in the alloy composition of a commemorative bimetal coin with nominal value of SKK 10,000; the NBS will issue this coin in April 2004 on the occasion of the accession of the Slovak Republic to the European Union. The coin will be minted in gold and palladium, instead of the formerly approved metals of gold and platinum.

- The Bank Board of the NBS approved the revision of its Budget for 2003. In this revision, a loss in the amount of SKK 27bn is budgeted for 2003. This revision is based on the increased sterilisation position vis-a-vis the banking sector, corresponding with the Revised Monetary Programme and the exchange rate development of the SKK vis-à-vis the USD. The NBS has not changed its expectations in terms of the exchange rate of the SKK vis-à-vis the EUR as benchmark currency.

## PRESS REPORTS

### FMA – cooperation agreement

The Financial Market Authority (FMA) on 24 June 2003 at the sitting of the Committee of European Securities Regulators in Rome signed a Memorandum of Understanding on mutual assistance and exchange of information with the Portuguese Securities Commission (Comissão do Mercado de Valores Mobiliários – CMVM) as well as with the Italian supervisory authority for securities, the Commission Nazionale per le Società e la Borsa (CONSOB).

The basic principle of the Memorandum of Understanding with the Portuguese CMVM is to increase the level of investor protection, to support the integrity of the financial markets, setting out the framework for cooperation, including communication channels, bilateral knowledge of legal provisions and the respective legal regulations, the exchange of regulatory and technical information and assistance in investigations. The signatory to the agreement was

Fernando Teixeira dos Santos, chairman of the CMVM.

The Agreement of Understanding between the FMA and CONSOB was signed against the background of the growing importance of financial institutions' and investors' operations, resulting in the need to ensure a greater scope of mutual cooperation, assistance and information exchange. Similarly, as in the case with the Memorandum of Understanding with the CMVM there is also set out in this agreement a framework for cooperation in the scope permitted by law and legal regulations. The signatory to the agreement from the side of the Italian CONSOB was Luigi Spaventa. The signatory to both agreements from the side of the FMA was its board chairman Jozef Makúch and FMA vice-chairman for the capital market Slavomír Šťastný.

**Ing. Marek Kačmár**

### The New Europe – an attractive region

On 12 June 2003, UniBanka, a.s., Bratislava held a press conference at which the bank's representatives presented the report "Banking in the New Europe", drawn up by a research team from the leading Italian and European banking group UniCredito Italiano, the strategic shareholder in UniBanka. The Chairman of the Board and Managing Director Jozef Barta introduced the report at a meeting with the press. The so-called New Europe according to the analysis comprises those Central and Eastern European countries that are to enter the European Union in May 2004.

From the presentation analysis by UniCredito Italiano it could be seen that the candidate countries together with Romania and Bulgaria form a market whose rate of growth is above that of the EU average. According to this report the rate of unemployment should in 2003 stand at 17.1%, then gradually fall to a level of 14.7% in 2006. The volume of loans provided by banks in the Slovak banking market should in this year, according to UniBanka analysts, reach 32.9% of GDP, and deposits as a percentage of GDP should be 70.8%. As Jozef Barta stated, the share of retail lending in the share of total lending reached 18% last year,

compared to a figure in the EU of 52%. J. Barta emphasised that "...the total size of New Europe (NE), the forecast gradual growth of GDP to EU levels, fiscal discipline and a relatively underdeveloped banking sector makes NE one of the most promising and relatively attractive regions in the whole world." As can be seen from the analysis, the attractiveness of this region is based also on expectations of a gradual reduction of business risk. In J. Barta's view risk



*From left: Rudolf Gálik, responsible for public relations, Jozef Barta, Chairman of the Board of Directors and Managing Director of UniBanka, a.s., Andrea Casini, Vice-Chairman of the Board of Directors and First Deputy to the Managing Director, Katarína Šajgalíková, interpreter.*

does remain in the matter of how convergence with the EU will proceed and whether an improvement in the legal, regulatory and business environment will occur. "The greatest risk we see lying ahead, not just for the banking sector, but also for our economy as whole, is the justice system and corruption", a risk

however which, as UniBanka's managing director stated, can be averted by means of implementing an effective control mechanism.

– sb –

Photo: UniBanka archives

## Transacty Slovakia – Services for Financial Institutions

The company Transacty Slovakia, a.s., formerly Autorizačné centrum Slovenska, a.s., presented at a press conference on 23 June 2003 its ambitions to become an independent provider of services in the field of processing payment transactions in Central and Eastern Europe. At present it provides comprehensive on-line authorisation services to the majority of retail banks in Slovakia and is gradually breaking into foreign markets (Serbia and Montenegro). Following the changes implemented after the Norwegian company Telenor's entry into Transacty in May 2001 the company now has the necessary foundations for achieving its aim – top technology, a high level of service quality and certification from the card-issuing companies.

The number of payment cards administered by Transacty in May this year represented 1 275 000 and in the same month the number of transactions reached its highest ever level of 7 207 522. Through the entry of foreign capital the Slovak banking market is gradually becoming a component of the global environment. Following Slovakia's entry to the EU, international trends will become more marked also in the field of providing processing services. "Banks will focus their efforts ever more closely on the main subject of their business and leave activities connected with the card business to specialised companies, outsourcing them", said Peter Gabriž, managing director of Transacty Slovakia, adding, "We know the needs of banks and we are prepared for the comprehensive outsourcing of processing services".

Transacty on an ongoing basis invests in new technology, guaranteeing the quality and security of transactions made via payment cards and expanding the portfolio of their products and services. A new feature on the market since January 2003 is the comprehensive Risk Monitoring service, which monitors and evaluates risky transactions made via pay-



*In the photograph at the press conference from left: Transacty Slovakia, a.s. – Patricia Packová, marketing manager, Marcel Peško, sales, marketing and strategy director, Peter Gabriž, chairman of the board of directors, director general, and Per Erik Hylland, director for Central and Eastern Europe, Telenor Norway.*

ment cards. It has expanded its range of services in the field of issuing and accepting cards, among them for example the gift pre-paid card Gift Card, which is anonymous, rechargeable, not tied to a bank account, where the card's use is limited by the amount of pre-paid money, or valid period. The card's design can be customised e.g. birthday, name's day, Christmas, Valentine's, etc. A similar service is the Business Gift Card, with a company's logo, intended for example as an incentive or bonus for employees, clients or business partners. The range of new products includes also cards with photography or customisable design for specific customer groups (students, pensioners, various associations, or companies, etc.)

Transacty Slovakia, a.s. ensures the constant authorisation and processing of electronic transactions on-line in a network of ATM's and payment terminals. For ten years now it has provided its services to Slovak and foreign financial institutions. Transacty is part of the Telenor Group in Slovakia. The company has registered capital of Sk147 800 000 and at present 130 employees.

– pp –

## EU COMMISSIONER FOR ECONOMIC AND FINANCIAL AFFAIRS PEDRO SOLBES VISITS THE NBS



*From left to right: Chief Executive Director of the Monetary Division Peter Ševčovic, Deputy Governor of the NBS Elena Kohútiková, Governor of the NBS Marián Jusko, Chief Executive Director of the Banking Transaction and Foreign Exchange Division Karol Mrva, and Director of the Governor's Office Eva Karasová.*



*European Union Commissioner for Economic and Financial Affairs Pedro Solbes.*

On 23 June 2003 the European Union Commissioner for Economic and Financial Affairs Pedro Solbes visited Slovakia for the first time. During his visit in Bratislava he negotiated with the SR Minister of Finance, Ivan Mikloš, and the chairman of the Slovak Chamber of Commerce and Industry Peter Mihók. He met also the SR Minister of Foreign Affairs, Eduard Kukan, and Governor of the National Bank of Slovakia, Marián Jusko. Besides issues concerning the currency and EMU, discussions also covered economic reforms and the use of eurofunds.

During the discussions Pedro Solbes gave his view as to the introduction of the common currency following Slovakia's accession to the EU. The euro cannot replace the Slovak currency until all the requirements have been met, maintaining exchange rate stability and a stable macroeconomic situation, where fulfilment of the four basic Maastricht criteria is essential and is the deciding factor for introducing the euro. Mr Solbes indicated that the earliest possible date for

introducing the euro in Slovakia would be 2007. Mr Solbes at the same time corrected his earlier statements, where he had said that the rule should be applied more strictly for the new member countries, stating instead that the preparedness of the new EU members, including Slovakia, for introducing the common currency would be judged in the same way as it was in the case of the original member countries. Commissioner Solbes in May this year had previously stated that the candidate countries would have to adhere to an exchange rate deviation band of  $\pm 2.25\%$ , instead of the  $\pm 15\%$ , as had originally been the case. Mr Solbes remarked that this was a misunderstanding and confirmed that the original  $\pm 15\%$  band will apply also for the new member states.

According to the predictions made by the Ministry of Finance and the NBS, Slovakia will not be able to become a member of the eurozone until 2008 – 2010. The EU Commissioner considered this as a realistic date.

## SLOVAK ECONOMIC FORUM



On 30 June 2003 at the Palfy Palace in Bratislava a meeting was held, gathering together experts from the fields of economics, banking, finance and the business sector, entitled the Slovak Economic Forum. At the meeting, the Deputy Governor of the National Bank of Slovakia Elena Kohútiková presented the SR Accession to EMU Strategy, together with a joint document prepared by the NBS and the SR Ministry of Finance.

An opponent of the strategy was the chief economist at ING Bank for SR and the Czech Republic, Ján Tóth; several Forum participants took part in the discussion as well.

– sb –

Photo: I. Paška, P. Kochan