



Meetings of the NBS Bank Board

The 23rd Meeting of the Bank Board of the National Bank of Slovakia was held on 15 November 2002, chaired by Marián Jusko, Governor.

- The Bank Board of the NBS decided, with effect from 18 November 2002, on a decrease in all NBS interest rates of 1.5 percentage points.

The two-week repo tender limit rate was decreased to 6.5 %, overnight sterilisation rate to 5 % and overnight refinancing rate to 8 %.

The NBS has so reacted to the substantial inflow of short-term capital from abroad, with the subsequent pressure on the exchange rate of the Slovak koruna. Excessive appreciation of the exchange rate could negatively influence the restructuring of the economy and its export capacity, which could lead to the further widening of the balance of payments current account deficit.

The Bank Board, through its decision on decreasing the interest rates, has supported the effectiveness of the NBS's interventions in the foreign exchange market. The NBS believes that the strengthening of the koruna rate is due mainly to positive expectations in terms of the gradual achieving of Slovakia's integration ambitions, as well as upgraded rating of Slovakia without adequate improvement in the basic economic indicators. Through this decision, the NBS has also declared its readiness to promptly use all monetary policy instruments in the future, in order to maintain healthy monetary development.

The Bank Board of the NBS discussed and took note of the "Report on the realisation phase of the Inter-bank Payment System SIPS project". The SIPS is a new inter-bank payment system, which the NBS will start to operate on 1 January 2003. The NBS is currently testing the system thoroughly, in which testing all participants in the domestic inter-bank payment system participate.

The NBS designed the SIPS system utilizing state-of-the-art information technologies, to meet the objective of improving the domestic inter-bank payment system. The new SIPS system shall be safer, user-friendlier, and it will also provide certain new functions to conduct inter-bank payments. Owing to the used technology independent of platforms, each participant in the inter-bank payment system (i.e. banks) can implement this system in their respective environment comfortably and at minimal costs. The total expenses of the NBS on designing the SIPS system were less than SKK 25m. The low costs of the SIPS system designing, as well as the ensuring of its effective functioning in the NBS, will enable the NBS to decrease 5-times the charges for operating the inter-bank payments for the participants in the system. This substantial decrease in costs of carrying-out the domestic inter-bank payments allows also for the decrease by banks in prices of services provided to their clients.

The Bank Board of the NBS approved the agreement on the SIPS payment system and a price list of fees within this system. The SIPS is a name of a new inter-bank payment system, which has been designed by the NBS and which the bank shall operate from 1 January 2003.

This system shall replace the current inter-bank payment system operated by the Slovak National Clearing Centre.

Pursuant to Act No. 510/2002 Z.z. on the Payment System and on amendments and supplements to certain laws, the National Bank of Slovakia, as an operator of the payment system, shall be obliged to conclude the equal agreement with each participant of the payment system, the basic provisions of which follow the above act. The wording of the agreement is equal for each participant in the payment system, which ensures the equal access of participants to the system. The agreement provides transparently the basic rights and obligations of the participants and the NBS, as the payment system operator, in the field of delivery and processing of payment orders, records of funds (with banks), settlement of fees, organizational ensuring of the system operation, data protection, consultation support, claims, the back-up processing of payment orders, digital signature, keys and retention of data.

The agreement will contain, as an inseparable part, the price list of fees for the SIPS system services. The fees listed in the price list are based on the principle of covering the costs. These have been very low owing to the fact that the NBS covered the design of the system with its own funds. Owing to the low costs, the prices for services paid by participants to the NBS will be substantially lower than those paid until now. The NBS, through its price policy, has created space for the review of the price policy of banks in relation to their clients in the area of fees for the payment system and settlement services.

The Bank Board of the National Bank of Slovakia approved the Agreement on Cooperation between the National Bank of Slovakia and the Financial Market Authority in exercising supervision of banks, payment systems and of the area of foreign exchange, as well as supervision of financial markets in the area of capital market and insurance.

The 24th Meeting of the Bank Board of the National Bank of Slovakia was held at Nový Smokovec on 21 November 2002, chaired by Marián Jusko, Governor.

- The Bank Board of the NBS approved the realisation of the project Financial Accounting, Economy and Budget of the NBS. The National Bank of Slovakia will have these systems implemented by the suppliers chosen in a public tender. The notification of this public tender will be published in the Commercial Journal of the Slovak Republic in December 2002. The information on the notification of this public tender in the Commercial Journal of the Slovak Republic will also be published in the weekly Trend and the daily Hospodárske noviny.

The 25th Meeting of the Bank Board of the National Bank of Slovakia was held on 29 November 2002, chaired by Marián Jusko, Governor.

- The Bank Board of the NBS discussed the Situation Report on Monetary Development in Slovakia in October 2002. The dynamics of both headline and core inflation was below the National Bank of Slovakia's expectations, due mainly to the development in foodstuff prices.

The ongoing strengthening of the Slovak koruna exchange rate, as well as lower crude oil prices, showed their dampening effect on the inflation development. In this light, the consumer prices were further determined mainly by supply factors.

The growing domestic demand was reflected mainly in the trade balance development, which in October deteriorated on a year-on-year basis. In aggregated figures the foreign trade deficit for the ten-months period ended at the previous year levels.

Following the NBS's interventions in the foreign exchange market and the lowering of the NBS key interest rates effective of 18 November 2002 and aimed at the elimination of appreciation pressures, the trend in the exchange rate development favourably changed.

With regard to the monetary development, the Bank Board of the NBS decided on maintaining the current interest rates at 5.0% for overnight sterilisation transactions, at 8.0% for overnight refinancing transactions, and at 6.5% for the limit two-week REPO tenders.

According to the short-term prediction of the NBS, the development of both headline and core inflations towards the end of the year should be characterized by the ongoing moderate acceleration of their year-on-year dynamics, with their end-year levels probably below the lowest limit of the programmed range.

The Bank Board of the NBS discussed the Report on the January to September 2002 Result of Operation of the NBS. The operation ended in loss equaling SKK 14.3bn. The loss of the NBS for this period resulted mainly from the strengthening of the SKK exchange rate against its reference currency EUR, and against USD. The development of the exchange rates SKK/EUR and SKK/USD will significantly influence the 2002 result of operation of the National Bank of Slovakia also in the period to come.

The Bank Board of the NBS approved decrees on the issue of two commemorative coins, which issue is prepared on the occasion of the 10th anniversary of the establishment of the Slovak Republic.

The commemorative coins have the unusual shape of a square. The first one, bimetal, has a denomination of SKK 10,000. It is minted of a gold plate with the fineness of 900/1000, in the middle of which palladium is inserted. This precious metal has been used in the coin mintage for the first time in the Slovak mintage history. The dimensions of the coin are 29.5mm x 29.5mm, and its weight is 18.835g. The other commemorative coin has a denomination of SKK 1,000. It is minted of silver with the fineness of 999/1000. The dimensions of the coin are 43.6mm x 43.6mm, and its weight is 62.207g.

The designer of the bimetal coin is the academic sculptor Ľudmila Cvengrošová, and the silver coin has been designed by the academic sculptor Miloš Vavro. Both commemorative coins are being minted in Kremnica Mint, and will be sold before Christmas.

Press Department of OVI NBS

Co-operation Agreement between CNB and NBS

On 8 November 2002 in Prague, the general director and member of the Bank Board of the Czech National Bank (CNB), Pavel Racoča, and the Deputy Governor of the National Bank of Slovakia (NBS), Ivan Šramko, signed an Agreement on Co-

operation between the Czech National Bank and the National Bank of Slovakia. The agreement concerns the exercise of banking supervision on a consolidated basis. This document enables both supervisory authorities to exchange information necessary for consolidated supervision over banking undertakings operating in the countries concerned.

Ján Onda
Spokesman of the NBS

Investment Guarantee Fund

A constituting meeting of the Board of the Investment Guarantee Fund was held at the Financial Market Authority on 22 November 2002, which elected senior officials of the Fund's Board, Executive Board and Supervisory Board, and adopted its statutes.

Tatiana Balážová of ČSOB, a.s., was given the office of chairman of the Board of the Investment Guarantee Fund,

Slavomír Šťastný of the Financial Market Authority was appointed the Board's deputy chairman.

The Board of the Investment Guarantee Fund is the Fund's supreme body. Among other things, it sets the rate of annual contributions paid by securities brokers and the payment period for extraordinary contributions, approves general terms and conditions for the payment of compensations for irrecoverable customer assets, the Fund's budget and the disposal of its resources. The Board consists of 9



members. Securities brokers are represented by Tatiana Balážová of Československá obchodná banka, Igor Hornák of Prvá paroplavebná, o.c.p., a.s., Richard Kolárik of Sympatia Financie, o.c.p., a.s., František Kurucz of VÚB, Marcela Mitošinková of ING Bank, N.V., and Roman Scherhauser of Across Investment Services. The Ministry of Finance of the Slovak Republic is represented by František Palko, the National Bank of Slovakia is represented by Peter Baláž, and the Financial Market Authority by Slavomír Šťastný. Viliam Végh was appointed the chairman of the Executive Board of the Investment Guarantee Fund. The other two Executive Board members are Róbert Kopál and Jarmila Kouřilová. The Executive Board is the statutory and executive body of the Fund, its members are the Fund's employees.

Upon proposal of the representatives of securities brokers, the Fund's Board increased the number of members of the Supervisory Board to five, appointing new members Roman Guderna, Pavol Prekop and Miron Zelina. Super-

visory Board members also include representatives of the Financial Market Authority and the Ministry of Finance of the Slovak Republic Jozef Makúch and Ján Foltán, respectively. The Supervisory Board monitors compliance of the activities and financial management of the Fund and its bodies with the law, general terms and conditions for the payment of compensations for irrecoverable customer assets, and the Fund's statutes.

According to the Act on Securities and Investment Services, the Investment Guarantee Fund will pool financial contributions made by securities brokers and branches of foreign securities brokers to pay compensations for irredeemable customer assets received by such brokers in order to provide an investment service. The Investment Guarantee Fund is a corporation listed in the Corporate Register.

M. Kačmár, Financial Market Authority

Bilateral Agreement

On 26 November 2002, the Financial Market Authority signed an Agreement on Mutual Co-operation and Information Exchange in Insurance Industry Supervision with the State Insurance and Supplementary Pension Insurance Supervision Authority of the Ministry of Finance of the Czech Republic.

The purpose of the Agreement on Mutual Co-operation and Information Exchange in Insurance Industry Supervision is to protect the insurance market and individual policyholders, promote the integrity, stability and effectiveness of the insurance industry amid growing international activities in the insurance market, and the resulting need for mutual co-operation between supervisory authorities. The parties will share information leading to suspicions of violation of applicable insurance market regulations or

laws of the other party. The agreement lays down the framework for co-operation between the two authorities in the field of insurance industry regulation, including communication channels, technical assistance, and disclosure of information in an extent permitted by relevant laws and regulations. The agreement was signed by Václav Krivohlávek, director of the State Insurance and Supplementary Pension Insurance Supervision Authority of the Ministry of Finance of the Czech Republic, Jozef Makúch, chairman of the Board of the Financial Market Authority, and Július Tomka, deputy chairman of the Board of the Financial Market Authority in charge of the insurance industry. The agreement was signed in the presence of Rudolf Slánský, the extraordinary and plenipotentiary Czech ambassador to the Slovak Republic, and representatives of insurers with Czech capital interests.

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