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| 21/2022 |

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| CBA |

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| Dear Colleagues, This autumn does not offer many reasons for jubilation. Inflation has risen more than expected, high energy prices are starting to have a creeping negative effect on households, there is a growing sense of fear and apprehension in society about the near future. There is also annoyance and discontent in the banking sector. The government is still addressing the windfall tax, i.e., a tax on extraordinary profit that is due to fall on banks, the energy sector and refineries from January. The Ministry of Finance expects to receive CZK 33 billion from the banks alone by introducing the tax. The Czech Banking Association has repeatedly expressed its position on the proposed solution, which it considers to be highly inefficient. In our view, there are a number of better solutions, which we have informed the state about. Banks would like to be a partner to the government in a slowing economy. Weakening them in this way is a big mistake. The proposals we have come up with and which we have presented to the Ministry of Finance would be much more beneficial to the economy. For example, the lending capacity of the National Development Bank would be increased to more than CZK 100 billion. |

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| It is up to the government and members of the parliament to decide what solution they choose. Whether it will be a short-term tax on banks or a long-term cooperation that would not only help vulnerable citizens, but would also increase the prosperity of the entire economy in the areas of transport, housing and digitization. Banks have demonstrated their willingness to help the economy in the past. This included, for instance, the covid programs, the Graceful Summer, or credit moratoriums.**Monika Zahálková**, Managing Director |

 | Obsah obrázku osoba, interiér, pózování  Popis byl vytvořen automaticky |

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| News of the Day |

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| **The CBA launches Cybergame - a cybersecurity test tailored to primary and secondary school students** |
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| The number of online scams is constantly growing. It has quadrupled in the last two years alone. Fraudsters target all generations, regardless of age or education. That's why the Czech Banking Association has launched the #nePINdej!  interactive online quiz - [www.kyberhra.cz](http://www.kyberhra.cz/), which is similar to the popular CyberTest, but contains questions suitable for pupils in the second cycle of primary schools, secondary schools and vocational schools and multi-year grammar schools.Teenagers can try out the cybergame both individually and collectively, for example in a class or school. *"We have conceived this year as a testing year. We want to show schools that they can use Cybergame in their curricula and introduce pupils and students to the dangers that await them in the cyberspace through real-life demonstrations, but also in the form of a game. Next year, we plan to increase the motivation of schools to try Cybergame by announcing a prize competition,"* added Andrea Machálková, the Czech Banking Association's staff support for financial education.The #nePINdej! campaign, of which the CyberGame is a part, is certainly one of the most extensive campaigns in the field of cybersecurity that has been implemented to date. It is also unique in that it involves both state administration bodies dealing with cybersecurity and key companies in Czech business, which themselves or their clients are also affected by fraudulent attacks. In addition to the Czech Banking Association, which is implementing the project, the campaign involves the Police of the Czech Republic, the National Cyber and Information Security Agency (NUKIB), itego, a.s., CISCO, Thein Security, Czech Post Office, ČEZ, Mastercard, O2 and Czech Railways. Media partners are Czech Television (main media partner), Seznam Zprávy, Deník and Cinestar. |

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| From the Market |

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| **Loans from Sberbank will probably be taken over by Česká spořitelna**Jiřina Lužová, the insolvency administrator of the bankrupt Sberbank CZ, will negotiate a purchase agreement for the sale of the bank's loan portfolio exclusively with Česká spořitelna [based on the decision of the creditors' committee](https://www.sberbank.cz/cs-cz/novinky/jednani-prodej-uveroveho-portfolia-Sberbank-ceska-sporitelna%22%20%5Ct%20%22_blank). The creditors' committee decided on the basis of the offer made  by Česká spořitelna, which offered a purchase price for the loan portfolio that, according to Lužová, together with the available cash and the expected proceeds from the monetization of Sberbank CZ's other assets, should be sufficient to satisfy 100% of the claims of the Financial Market Guarantee System, natural persons and small and medium-sized enterprises, and most likely more than 90% of the claims of regions, cities, municipalities and large companies. The nominal value of the portfolio is CZK 47.7 billion. |
| **Inflation accelerated again** Year-on-year inflation has reached 18% in September and had risen by 0.8 percentage point compared with August. The market had expected stagnation. The main reason for the higher inflation was energy prices, especially the price of gas, which had started to rise significantly again compared with the previous months, while food prices also contributed less significantly. Natural gas prices accelerated by 15% month-on-month, electricity prices by 3.6% and solid fuels by 7%. The year-on-year dynamics thus reached 38% for electricity, 86% for gas and 56% for solid fuels. The CBA expects inflation to be volatile until the end of the year due to administrative influences. It will probably not go below the 10% threshold until the middle of next year. [More in the commentary](https://cbaonline.cz/inflace-v-zari-dosahla-18-) by Jakub Seidler, the Chief Economist of the CBA. |
| **EBA published its quarterly Risk Dashboard**In early October, the European Banking Authority (EBA) published its [quarterly Risk Dashboard](https://www.eba.europa.eu/eba-risk-dashboard-shows-capital-ratios-remained-broadly-stable-and-liquidity-ratios-declined) for Q2 2022 covering the main risks and vulnerabilities in the EU banking sector. Despite the deteriorating macroeconomic outlook, credit risk shows no significant signs of worsening. Operational risk remains high due to digitization, cyber risks and sanctions compliance issues. Most banks have robust capital buffers and sufficient liquidity buffers. Capital adequacy, liquidity, profitability and asset quality indicators for Czech banks are better than the EU banking sector average. |
| **ESMA announces strategy for the next five years**Last week, the European Securities and Markets Authority (ESMA), the EU’s financial markets regulator and supervisor, announced its [strategy for the next five years,](https://www.esma.europa.eu/press-news/esma-news/esma-announces-strategic-priorities-next-five-years?utm_source=European+Banking+Federation+newsletters+and+updates&utm_campaign=c4627e13f3-EMAIL_CAMPAIGN_2018_01_17_COPY_01&utm_medium=email&utm_term=0_088668d33b-c4627e13f3-80169275&mc_cid=c4627e13f3&mc_eid=4c2b368f2f) i.e., the period from 2023 to 2028. According to the published strategy, ESMA will focus on strengthening supervision, enhancing the protection of retail investors, fostering effective markets and financial stability, enabling sustainable finance, as well as facilitating technological innovation and effective use of data. In addition to the five-year strategy, ESMA has also unveiled a detailed [work program for 2023](https://www.esma.europa.eu/press-news/esma-news/esma-work-programme-2023-focus-sustainability-technological-change-and).  Under it, ESMA will be taking on new responsibilities in regulating the impact of new technology on financial markets via mandates under DORA, MiCA and the DLT regime. ESMA will continue to oversee several key market infrastructures with a view to foster effective markets and financial stability in the EU. |

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| From Legislature |

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| §**New European Cybersecurity Directive to come into force in 2024**The European Commission has approved a new EU-wide cyber security strategy, known as the [NIS 2 Directive](https://nis2.tech/). It should come into force in 2024 and will have a major impact on the operations of more than six thousand Czech businesses and organizations. The new directive introduces a number of rules to ensure the security of companies' cyberspace against hacker attacks. The NIS 2 directive divides entities into two groups, namely the critical entities, such as, for example, healthcare, banking, public administration, transport, and important entities, such as, for instance, postal and courier services, waste management companies or manufacturers of medical devices or computers. The Directive will enter into force in 2024, with EU approval being finalized this year. In 2023, implementation into national legislation will take place; for the Czech Republic this means amending Act No. 181/2014, the Act on Cyber Security. For non-compliance with the Directive, companies can face a maximum fine of ten million euros, or 2% of the company's total global annual turnover. |

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| Financial Education |

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| Obsah obrázku nápoje  Popis byl vytvořen automaticky**Bazaar scams have been a big hit lately**Cyber fraud can affect any of us, regardless of age, gender or education. Therefore, the Czech Banking Association pays a lot of attention to education in the field of cyber security. In addition to the ongoing #nePINdej! campaign, it also tries to educate the public through the media. Petr Barák, chairperson of the CBA's Cyber and Financial Security Commission, spoke about fraud in the Rozstřel program on iDNES.tv.  You can listen to the full recording [here](https://www.idnes.cz/ekonomika/domaci/rozstrel-podvody-internetove-bazary-michal-ihnat-petr-barak.A221012_145155_ekonomika_rie). |
| Obsah obrázku budova, okenní roleta  Popis byl vytvořen automaticky**The CBA training programs continue through October**[The Czech Banking Association's “Corporate Governance” and “Strategic Management for Top Managers” educational programs](https://cbacfo.cz/)continue in the second half of October. In the CBA “Corporate Governance” program, participants can look forward to the topic of Sustainable Business. They will see what Europe is doing in the field of sustainability, how the Czech Republic is responding to it and how the new topics are reflected in domestic companies. At the end, they will have a panel discussion with key experts in the field, such as Petr J. Kalaš, President of the CBCSD – the Czech Business Council for Sustainable Development, or Miroslav Hažer, Director of Communications at the Confederation of Industry and Transport of the Czech Republic and co-author of the survey on sustainability in domestic companies. In the CBA “Strategic Management for Top Managers” program, participants will be introduced to the topic "The Future of Finance and Digital Currencies". Speakers will include the CNB Deputy Governor Eva Zamrazilová, Deputy Governor Marek Mora, former Deputy Governor Tomáš Nidetzký, Petr Valášek, a consultant in DLT and blockchain technologies, and Lukáš Kintr, the new director of the National Cyber and Information Security Agency. |

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| Topic |

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| **The mortgage market is still declining, with an average interest rate of 5.8%****Banks and building societies granted mortgage loans in September in a volume slightly exceeding CZK 7 billion. Compared to August, both the volume and the number of mortgages granted decreased by roughly 30%. This is the third double-digit decline in a row. In year-on-year comparison, the decline in the volume of mortgages granted further intensified and exceeded 80%. The interest rate on actual new mortgages (without refinancing) rose slightly in September, but remained around 5.8% as in August. Mortgage rates have thus probably already peaked. This information comes from the**[**CBA Hypomonitor**](https://cbaonline.cz/cba-hypomonitor-zari-2022-rust-sazeb-se-zastavil)**, which captures data from all domestic banks and building societies providing mortgage loans.** |
| The volume of mortgages granted declined further in September. According to the September CBA Hypomonitor, banks and building societies granted mortgages to households in the total volume of CZK 7.16 billion, which is CZK 2.9 billion less than in August. The month-on-month decline in terms of the total volume of mortgages granted thus intensified further to almost 30% after August, making it the third more significant month-on-month decline in a row. The mortgage market is thus weakening further, which is also evident from the year-on-year dynamics. It has deepened its decline from 78% in August to 82%. The drop in mortgage origination volumes is not only noticeable relative to a strong 2021, but September's origination volume is also almost three-quarters lower compared to 2020. For the whole of this year, January to September, mortgage market activity has fallen by almost 60%.*"The volume of mortgages and the number of units granted in September continued to fall significantly month-on-month, whereas September has been similar to or even slightly stronger than August in terms of mortgage activity in many previous years. The significant slowdown in activity on the mortgage market is also illustrated by the fact that the volume of new mortgages granted in September reached its weakest level since the beginning of 2014. The mortgage market has thus fallen significantly in recent months as a result of high mortgage rates, tighter lending rules, rising concerns about the development of the economy and generally high real estate prices,"* says Jakub Seidler, the Chief Economist of the CBA.**Average mortgage rate rose further to 5.8**The interest rate on actual new mortgage loans rose slightly to 5.83% in September from 5.76%, and brought down to a round figure, it was broadly flat at 5.8%. The average mortgage rate has thus reached its highest level in twenty years, although in 2008 and 2009, they were also at similarly high levels. Prices actually received for mortgages granted have thus gradually caught up with bid prices, which have been stagnating or in some cases, slightly declining in recent months in line with the evolution of market interest rates.**The average mortgage payment is increasing, although the average mortgage size is decreasing**The average level of a mortgage has been declining slightly in recent months and in September, as in August, it was slightly below CZK 3 million, where it was last at the end of 2020. With stricter rules from the CNB and high interest rates increasing monthly repayments, some households have had to reduce the intended mortgage amount. In November last year, the average mortgage amount was the highest at CZK 3.46 million.  The rise in mortgage rates is, of course, also reflected in the amount of the repayment. An increase of one percentage point means an increase in the monthly mortgage payment of approximately CZK 1,500 for the average mortgage size. Compared to the 2% interest rate that was common on the market in earlier years, a 6% mortgage rate means an increase in the monthly payment for an average mortgage of CZK 6,000 to 7,000. |
| Obsah obrázku stůl  Popis byl vytvořen automaticky |

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