

24/2023



Dear Colleagues,

The end of the year is traditionally a hectic time for us all, whether on a personal level, when we are preparing for the Christmas holidays, or at work, when we are trying to finish up lots of things before the end of the year. In the Czech Banking Association, we are also experiencing a challenging yet fruitful week packed with important events. I would like to mention the signing of a memorandum of cooperation with the Union of Towns and Municipalities of the Czech Republic. This step allows us to expand our activities aimed at improving financial literacy also among mayors and representatives of towns and municipalities. Programmes such as "CBA Finance for Non-Finance Managers", ESG seminars and other professional events we organise will enable us to effectively support and develop their financial expertise. We are also looking forward to joint participation at professional conferences that will extend the reach of our educational activities.

I would also like to mention the successful 26th annual Financial Crime Prevention Conference, held under the auspices of the Speaker of the Chamber of Deputies Markéta Pekarová Adamová, again organised by the CBA. The main topics were the fight against money laundering, terrorist financing and cybercrime, as well as the application of national and international sanctions, especially in the context of the current geopolitical situation.

Last week, we also published the Debt Risk Index, which rose to 11% this year. This trend indicates a slight deterioration in the debt situation, which is an important signal for us and confirmation that financial literacy activities make a lot of sense. Credit can be a good servant, but it can also often be a bad master. And while it can be tempting to borrow money for Christmas presents, I would encourage you all to enjoy a peaceful and joyful Christmas with your loved ones without unnecessary financial stress. The most valuable things in our lives are always our loved ones and the time we spend together.

Wishing you all a wonderful and peaceful last month of 2023.

Monika Zahálková
Managing Director of the CBA



News of the Day

Every 10th Czech is taking on high-risk debt

According to a survey conducted by the Czech Banking Association (CBA) and Ipsos, one in ten Czechs behaved in a high-risk manner when borrowing money in the last year. On the other hand, the proportion of those who do not engage in risky behaviour at all has risen from 33% to 42%.

According to the CBA's debt risk index, the situation has deteriorated slightly, with the index rising to 11% this year. Less well-educated middle-aged people are the most likely to take on risky debt. On the contrary, young

people under 26 and senior citizens with a high school diploma or higher education are the most responsible when it comes to borrowing. Loans are mostly used for practical purposes such as cars, home renovations or consumer electronics. On the other hand, most Czechs would never borrow money to fund adventure, sports equipment or everyday consumption. In the coming year, 8% of Czechs are considering a loan, with a quarter of them planning to borrow between CZK 100,000 and CZK 200,000. Fears of inflation are leading 15% of the population to decide to avoid borrowing in the coming year.

The survey also shows that banks remain the most popular source of loans, with 58% of respondents having used their services. There was also an increase in loans from friends and relatives.

Filip Hanzlík, the CBA's chief lawyer, says: *"The positive thing is that most Czechs borrow through banks, which is safer as regards risk. However, there are still some people who do not check the licence of non-banking companies. This can have serious consequences."*

The majority of Czechs (three quarters) see the amount of their loans as safe. If they were unable to repay the loan, a third would negotiate a deferment of repayments, while a quarter would borrow from relatives or friends. If they were in a situation where they needed to make another payment, 14% of Czechs would consider a loan. Most would borrow from a bank, about a third from relatives or friends.

Czechs most often take out loans for smaller sums up to 20,000 crowns or for larger sums above half a million crowns.



From the Market

The 26th annual Financial Crime Prevention Conference focused on targeted cooperation between banks and regulators in implementing the AML Act

The Czech Banking Association (CBA) organised the 26th annual Financial Crime Prevention Conference under the auspices of the Speaker of the Chamber of Deputies, Markéta Pekarová Adamová. The main topics were the fight against money laundering and terrorist financing, the fight against various forms of cybercrime and the consistent application of national and international sanctions, especially in connection with Russia's aggression in Ukraine. The effectiveness and efficiency of this fight depends not only on the professional qualities of AML banking professionals, but also on new targeted forms of cooperation between banks and regulators at all levels. Therefore, the conference was prepared in cooperation with the Financial Analytical Office and the Czech National Bank in order to provide answers to all these current challenges.

Building societies to make it easier to fund energy savings

From January 2024, building societies will offer new services aimed at supporting the energy transformation of households. They will provide clients not only with advantageous housing loans, but also professional subsidy advice and assistance with claiming subsidies. The service will offer clients information on available subsidy programmes, funding opportunities and the documents need to apply for a subsidy. In the first phase, starting in January 2024, clients will receive information on subsidy programmes and financing options at branches. In the second phase, the savings banks will be directly connected to the systems of the State Environmental Fund of the Czech Republic (SEF) and will offer assistance with claiming subsidies. Building societies already offer advantageous housing loans with attractive interest rates. Cooperation with the state will streamline access to financing for energy-saving measures and simplify access to support programmes.

CNB: The financial sector is resilient even in adverse economic conditions

The Czech National Bank published its [Financial Stability Report](#) last week. As stress tests have shown, the financial sector in the Czech Republic remains resilient even in adverse economic conditions. The banking sector would comply with the regulatory requirements even in a hypothetical adverse scenario, even if there would be a significant impact on banks' capital. A significant increase in credit defaults and a weakening of profitability would lead to the dissolution of the countercyclical capital buffer.

CNB eases rules for mortgage lending

The [CNB Bank Board](#) has decided to keep the upper limit of the LTV indicator for mortgage loans at the current level of 80% to 90% and has also deactivated the upper limit of the DTI indicator with effect from 1 January 2024. It was also decided to maintain the countercyclical capital buffer at 2%. These decisions reflect the current macroeconomic conditions and the need to manage systemic risks in the banking sector.

European banks call for a common vision for the financial sector to keep Europe competitive

The leadership of the European Banking Federation (EBF) [met in Madrid last week](#) to discuss how to make the European financial sector more competitive in the current challenging environment. The meeting focused on strengthening the resilience and profitability of European banks, which are key to financing economic challenges and transformation. The importance of banks in the context of geopolitical tensions, conflicts and the uncertain macroeconomic situation was highlighted. Banks play a key role in financing businesses, households and in supporting green transformation and digital innovation. An important part of the discussion was the involvement of capital markets and the need to relax the regulatory environment to enable better integration and development of the European financial sector. Christian Sewing, CEO of Deutsche Bank and President of the EBF, stressed the need to develop a common vision for the EU banking and financial sector in order to fulfil its role in supporting the economy and society.

Commentary

Revised GDP estimate disappointing, economy contracted by 0.5%

According to the revised estimate, the domestic economy contracted by 0.5% QOQ in Q3, which was worse than the first preliminary estimate published at the end of October (-0.3% QOQ). Year-on-year, the economy contracted by 0.7%. Gross domestic product growth in Q3 thus fell short of the original estimates, which had generally expected quarter-on-quarter stagnation and a milder year-on-year decline in the economy. The published structure confirms that foreign demand is weakening, but domestic demand, apart from government consumption, remains in decline. We expect the economy to contract by 0.4% this year and grow by 1.8% next year. However, weaker figures coming in from abroad now suggest that growth above 1% next year would be a positive outcome after all.

November confidence: stagnation for businesses, decline for households

Overall economic confidence stagnated in November. In consumers, it has again declined, while the trend has been more mixed as regards entrepreneurs. Confidence in the construction sector has increased, where employment prospects are better for the months to come. In services, confidence went up owing to more favourable expectations for the next quarter, although demand assessments have generally deteriorated in recent months. In the case of industry and retail trade, confidence has stagnated. Confidence among households has fallen again after a favourable October. Households rated their financial situation and future prospects worse than in the previous year. Household confidence remained low, which did not give rise to optimism about an early recovery in domestic consumption.

Jakub Seidler,
Chief Economist of the CBA



From Legislature



House approves stricter regulations for unlicensed asset managers

In the initial round, MPs supported the [amendment to the Act](#) on Investment Companies to tighten the rules for unlicensed asset managers. The change is intended to ensure that these entities will no longer be able to circumvent the law and will increase public awareness of high-risk investments. The amendment is a response to practical experience and is part of the capital market development concept. Unlicensed trustees will now have to be designated as venture capitalists and may not use the word "fund" or its derivatives in their name. They will also have to warn investors about the high risk of investments.

Another key change concerns the conditions for investment. Instead of just a declaration of qualified investor, a minimum investment of €125,000 will now be required if the entity manages the assets of more than 20 investors.

The Act also introduces the principle of equal treatment of investors and regulates the possibility to dissolve a capital company with its assets transferred to a mutual fund, to protect the interests of shareholders. In addition, the amendment expands the ability of intelligence services to obtain information from investment funds, which until now was only possible for the Security Information Service.

CBA EDUCA

ner v posilování
otnosti

ýkonná ředitelka, ČBA



The CBA helps to improve financial literacy

The Union of Towns and Municipalities of the Czech Republic (UTM) and the C have signed a memorandum of cooperation. The aim is to increase support for financial literacy among town and municipal councillors through CBA training programmes or at UTM professional conferences. This was the première of a speech by Monika Zahálková, Executive Director of the CBA, at the UTM National Annual Conference.



ČESKÁ BANKOVNÍ ASOCIACE

STATUS VZDĚLÁVACÍ INSTITUCE



VZDĚLÁVACÍ PROGRAMY

ČBA CORPORATE GOVERNANCE

ČBA FINANCE PRO NEFINANČNÍ MANAŽERY

MEZINÁRODNÍ CERTIFIKACE