REPORT ON FINANCIAL MARKET DEVELOPMENTS IN 2022

July 2023

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The data presented in this report were obtained from the specified sources in April and in May 2023 and may differ from data presented in previous editions of this publication because of revisions made in the meantime.

SUMMARY OF DEVELOPMENTS IN 2022

Macroeconomic Situation

Gross domestic product growth rate dipped to 2.5% as the military conflict in Ukraine subdued global economic growth and intensified inflationary pressures, particularly on food and energy prices. The harmonised index of consumer prices rose by 14.8%. The unemployment rate fell to 2.3% and remained the lowest in the EU. The general government deficit declined significantly for the first time in two years, falling to 3.6% of GDP; this was reflected in a slower increase in the debt ratio by 2.1 pp to 44.1% of GDP.

Monetary Policy and Foreign Exchange Market

In the first half of 2022, the CNB continued to raise interest rates, having been one of the first central banks in the developed world to hike rates in 2021. The base 2W repo rate rose by 3.25 pp year on year to 7.0% at the end of the year, the highest in more than 20 years. In the second half of the year, however, the CNB Board's preference for rate stability prevailed and rates remained unchanged thereafter. The average exchange rate of the Czech koruna to the euro appreciated by one koruna to 24.6 CZK/EUR.

Placement of Funds in the Financial Market

The volume of funds placed in the financial market rose by 5.8% to CZK 8.6 trillion. This constituted a lower growth rate in funds compared to the previous three years. The highest absolute increase in the volume of funds was again recorded in deposits with credit institutions (by CZK 356.8 billion), which accounted for approximately two thirds of total funds. The highest growth rate was recorded by client asset in investment funds (by 13.6%), the share of which in total funds increased the most since the end of 2017, growing by 12.9%.

Household Savings Structure

The volume of household savings placed in financial market products and instruments rose by 7.2% to CZK 5.8 trillion. The highest absolute and relative growth was recorded in term deposits (excluding building savings schemes), which increased by CZK 303.8 billion (142.0%) to CZK 517.8 billion. By contrast, the volume of demand deposits fell by 3.8%, with their share in total household savings declining to 47.8%. Overall, over the past five years, the share of deposit products in household savings has slipped by 2.6 pp to 62.4%, mainly to the benefit of savings placed in investment funds.

Household Indebtedness

Household indebtedness climbed by 4.8% to CZK 2.2 trillion. This was half the growth rate compared to 2021, mainly due to the slackening of growth in housing loans (to 4.8%). The share of these loans in total debt remained essentially unchanged at 75.7%. The relative household debt-to-GDP ratio dropped as a result of nominal GDP growth (by 2.1 pp to 32.6%) and remained relatively lower compared to the rest of the EU.

Financial Market Entities

There were no significant changes in the number of entities in the various sectors of the financial market. A noteworthy event in the sector of credit institutions was the revocation, in April, of the banking licence held by Sberbank CZ, a.s., which was unable to meet its liabilities towards its clients as of 25 February 2022 due to liquidity problems stemming from the fallout of the military conflict in Ukraine; it subsequently went into liquidation. Also in April, the credit union Družstevní záložna Kredit entered into liquidation. In September, Banka CREDITAS a.s. became the owner of Expobank CZ a.s., which subsequently changed its business name to Max banka a.s. in October. In the capital market, there was an increase in the number of investment funds with legal personality, management companies and mutual funds.

Banking Sector

The banking sector (including building savings banks) recorded asset growth by 4.0% to CZK 8.9 trillion, and in doing so reaffirmed as usual its dominant position on the Czech financial market. The total capital ratio, as a key factor in the sector's resilience, dipped slightly by 1.2 pp to 22.3%, but it was still above its long run average. Profit before tax surged by 42.8% to CZK 122.2 billion, and in doing so surpassed the results achieved prior to the COVID-19 pandemic, mainly thanks to the rise in net interest income.

Interest Rates

The increase in the CNB's monetary policy rates was reflected in an increase in average annual household deposit rates to their highest level in 10 years and, in the case of non-financial corporations, in 20 years. The average interest rate on koruna-denominated loans to non-financial corporations jumped by 3.5 pp to 6.5%. For households, the average interest rate on housing loans was up 0.2 pp to 2.6%, while the average interest rate on consumer loans dropped to a long-term low of 8.3%.

Deposits and Loans

The volume of client bank deposits increased by 6.5% to CZK 5.9 trillion. The volume of loans grew at a similar rate (by 5.8%), climbing to CZK 4.1 trillion. The slowdown in the growth rate of client bank loans (by 1.2 pp) was primarily attributable to a decline in the dynamics of loans to households (by 5.2 pp). The share of non-performing loans in total client loans declined by 0.4 pp to 2.0%, the lowest level recorded in 20 years. There was no considerable change in the ratio of client deposits to client loans in the banking sector (143.9%), which was again among the highest in the EU.

Mortgage Market

Mortgage market activity contracted sharply, with the volume of newly granted mortgage loans falling by 36.3% to CZK 566.4 billion, on the back of a 51.2% decline in the residential housing segment to CZK 314.4 billion. Here, newly originated mortgage loans for residential housing (excluding refixations and refinancing) granted to the population recorded a 60% decline as they sank to their lowest level in the last five years, i.e. CZK 148.7 billion. Total outstanding mortgage loans increased by 5.0% to CZK 2.5 trillion. This translates into cumulative growth of approximately 67% over the last five years.

Building Savings Banks

Building savings banks entered into almost 487,000 building savings contracts, the highest number since 2011. The volume of loan contracts, on the other hand, shrank considerably (by 24.4%) to 51.5 thousand. The total volume of outstanding loans rose by 7.1% to a record CZK 342.0 billion. The total savings decreased by 8.6% to CZK 334.7 billion, the lowest figure in the last five years. The share of households' deposits with building savings banks in their total deposits with credit institutions also fell to the lowest level in the history of building savings schemes, i.e. 9.2%. The loan-to-savings ratio increased by 15.0 pp to an all-time high of 102.2%. The state paid CZK 4.3 billion in direct state contributions.

Credit Unions

The total balance sheet of the credit union sector increased for the first time since 2016, rising by 4.0% to CZK 9.4 billion, but, as in the previous three years, this still only accounted for 0.1% of the assets of all credit institutions. The non-performing loans ratio fell by 1.6 pp to 24.5%. The total capital ratio went up by 0.4 pp to 24.9%. As in 2021, the credit union sector reported a profit before tax, this time of CZK 104.8 million.

Non-Bank Financing Providers

The total assets of non-bank financing providers increased by 4.7% to CZK 440.5 billion, the highest value in the last five years, but this was still less than 5% of the banking sector's total assets. The volume of loans granted increased by 7.2% to CZK 348.2 billion, also the highest figure in the last five years, with growth recorded in all three sub-segments, namely finance leasing companies by 8.0%, other lending companies by 5.5%, and factoring and forfaiting companies by 3.5%.

Regulated and OTC Markets

The main Czech stock index, the PX, was down by 15.7% to 1,201.7 points, i.e. not as much as the MSCI ACWI global stock index, which fell by a fifth during the year. The volume of stock exchange trades grew by 17.0% to CZK 180.9 billion, mainly due to a rise in the case of shares, which accounted for almost 92% of the volume traded. The volume of trading within RM-S, which focuses mainly on retail investors, grew by 34.6% to CZK 6.5 billion.

Bond Financing of Non-Financial Corporations

The total volume outstanding of bonds issued by non-financial corporations declined for the third year in a row (by 23.5%) to CZK 242.9 billion, pushed down by the ongoing interest rates hikes and the economic uncertainty due to the effects of rising energy prices and the military conflict in Ukraine.

Investment Firms and Asset Management

Non-bank securities dealers' assets increased by 8.3% to CZK 27.2 billion. The volume of assets entrusted to asset managers continued to grow, increasing by 4.3% to a total of CZK 1.9 trillion.

Investment Funds

Despite the prevailing decline in asset prices on global financial markets, the volume of assets in investment funds achieved a long-term high of CZK 1.1 trillion on the back of 14% growth. Here, collective investment funds accounted for CZK 751.6 billion and qualified investor funds CZK 351.5 billion. From the perspective of the placement of funds, domestic funds saw an increase in the share of bond funds (by 14.6 pp to 36.8%) and a decrease in the share of mixed funds (by 12.0 pp to 34.0%) and equity funds (by 3.5 pp to 16.3%). Among foreign funds, both equity funds (up 1.5 pp to 41.6%) and bond funds (up 0.9% to 20.3%) increased their share at the expense of mixed funds (down 2.5% to 29.4%).

Insurance Companies

Gross premiums written went up by 11.3% to CZK 200.1 billion, continuing the upward trend started in 2017. The overall growth in premiums was again mainly due to growth in the non-life insurance segment, which grew by 13.9% to CZK 145.8 billion. Compared to the previous five years, the volume of premiums written in the life insurance segment also increased, going up by 5.0% to CZK 54.3 billion. The total number of insurance contracts dipped by 1.8% to 29.8 million. The insurance sector's total balance-sheet declined by 6.1% to CZK 492.7 billion.

Supplementary Pension Insurance and Supplementary Pension Savings

The total number of participants in Pillar III of the pension system dropped by 1.0% to 4.4 million. The volume of funds managed in Pillar III rose again, but at the lowest rate in the last five years, i.e. by 3.1% to CZK 584.2 billion. The average monthly participant's contribution went up to CZK 795 for supplementary pension insurance scheme and CZK 853 for supplementary pension savings scheme. The share of contracts with an employer's contribution increased by 0.7 pp to 24.7%. The total direct state support paid to the participants of Pillar III amounted to CZK 7.6 billion. None of the transformed or participation funds recorded appreciation above the average annual rate of inflation at the end of 2022.

Financial Market Legislation

In connection with the implementation of EU regulations concerning the Capital Markets Union, some financial market laws were amended, and the Pan-European Personal Pension Product Act and an amendment to the Payments Act were adopted. Discussions at European level focused on the Digital Finance Package, consumer credit, European green bonds, a package including a review of the Solvency II Directive and new treatment of recovery and resolution procedures for insurance and reinsurance undertakings, the implementation of Basel III, a package of further Capital Markets Union proposals, instant payments, the regulation of indirect underwriting of eligible MREL liabilities (the so-called Daisy Chain Act) and the offering of financial services at a distance.

An overview of developments of selected indicators of credit institutions, non-bank financing providers, capital market and insurance companies is included in Table A2.1 in Appendix 2.

1 MACROECONOMIC SITUATION AND EXTERNAL DEVELOPMENTS

1.1 Macroeconomic Situation

Economic growth in the Czech Republic, as measured by the year-on-year change in real gross domestic product, slowed slightly to 2.5% in 2022 (Table 1.1) as global economic growth declined and inflationary pressures intensified, especially in food and energy prices, as a result of the military conflict in Ukraine. The growth rates recorded in Germany (1.9%) and the US (2.1%) were slightly lower. In contrast, slightly higher growth rates were registered in the EU and the euro area (3.6% and 3.5%) and especially, as in 2021, in certain economies in the Central Europe (Hungary and Poland). Conversely, Slovakia's growth rate was markedly lower. In the past, China used to sustain the highest annual growth rate among the selected economies, but its growth slowed down sharply to 3.0% due to the impact of continued anti-COVID restrictions. Nevertheless, looking at the cumulative data for the entire reporting period since the beginning of 2017, China (38%), followed by Poland (28%) and Hungary (23%) have grown the most among the selected economies. The Czech Republic, for its part, posted considerably higher cumulative growth rate (12%) than, for example, Germany (5%) and the euro area (9%).

Table 1.1: Annual real GDP growth

As at 31 Dec (%)	2017	2018	2019	2020	2021	2022	Year-on-year change (pp)
United States	2.2	2.9	2.3	-2.8	5.9	2.1	-3.8
China	7.0	6.8	6.0	1.8	8.6	3.0	-5.6
United Kingdom	2.4	1.7	1.6	-11.0	7.6	4.1	-3.5
European Union (27)	**3.0**	**2.1**	**1.8**	**-5.8**	**5.4**	**3.6**	**-1.8**
Euro area (19)	2.8	1.8	1.6	-6.3	5.3	3.5	-1.8
Germany	3.0	1.0	1.1	-4.1	2.6	1.9	-0.7
Poland	5.2	5.9	4.4	-2.0	6.7	5.2	-1.5
Austria	2.3	2.4	1.5	-6.5	4.7	5.0	0.3
Czech Republic	**5.3**	**3.2**	**3.0**	**-5.5**	**3.5**	**2.5**	**-1.0**
Hungary	4.5	5.4	4.9	-4.8	7.1	4.6	-2.5
Slovakia	2.9	4.0	2.5	-3.4	3.0	1.7	-1.3

Source: MoF (seasonally adjusted data)

In terms of the expenditure components of domestic GDP (Table 1.2), gross capital formation had a positive effect on its development (2.6 pp), while household consumption had a negative impact (-0.4 pp). A moderately positive impact was recorded for net exports of goods and services (0.2 pp) and government final consumption expenditure (0.1 pp).

The unemployment rate fell for the first time in two years. The Czech Republic continued to report long-term the lowest unemployment rate in the EU, once again well below the EU average of 6%.

The general government balance deficit narrowed by 1.5 pp year on year to -3.6%. The government debt-to-GDP ratio rose by 2.1 pp and the resulting value was the highest in the reporting period (44.1%), almost matching the 2013 peak.

Table 1.2: Selected macroeconomic and fiscal indicators of the Czech economy

As at 31 Dec	2017	2018	2019	2020	2021	2022
Gross domestic product (real growth in %, seasonally unadjusted)	5.2	3.2	3.0	-5.5	3.6	2.5
of which: final consumption expenditure of households (pp)	1.9	1.7	1.3	-3.4	1.9	-0.4
final consumption expenditure of government (pp)	0.3	0.7	0.5	0.8	0.3	0.1
gross capital formation (pp)	1.7	2.0	1.2	-2.6	5.0	2.6
net exports (pp)	1.2	-1.2	0.0	-0.4	-3.6	0.2
Unemployment rate[1] (% annual average)	2.9	2.2	2.0	2.6	2.8	2.3
General government balance (% GDP)	1.5	0.9	0.3	-5.8	-5.1	-3.6
General government debt (% GDP)	34.2	32.1	30.0	37.7	42.0	44.1

Source: MoF, CZSO

[1] Measured by the Labour Force Survey Method.

The consumer price index registered significant acceleration in annual growth rates in most of the selected economies. This can be attributed to a combination of factors, i.e. the implications of the military conflict in Ukraine for food and energy prices in particular, the continuing recovery in aggregate demand, the unwinding of fiscal and monetary support measures, and the misalignment of supply and demand chains. In the Czech Republic, consumer prices rose by 14.8% year on year. This was the highest growth rate over the reporting period and also the highest among the economies monitored (Table 1.3). High price growth rates were also recorded in other Central European economies in geographical proximity to the military conflict in Ukraine, i.e. Hungary (15.3%), Poland (13.2%), and Slovakia (12.1%). In the other selected economies, the CPI was lower, hovering between 7% and 9%. However, even this was well above the central banks' inflation targets in these jurisdictions, i.e. 2%.

Table 1.3: Consumer price indices in selected economies

Average in given year (%)	2017	2018	2019	2020	2021	2022
United States	1.8	2.2	1.4	0.8	5.3	8.7
China	1.6	2.1	2.9	2.5	0.9	2.0
Japan	0.5	1.0	0.5	0.0	-0.2	2.3
United Kingdom	2.6	2.3	1.7	1.0	2.5	7.9
European Union (27)	**1.6**	**1.8**	**1.4**	**0.7**	**2.9**	**9.2**
Euro area (19)	1.5	1.8	1.2	0.3	2.6	8.4
Germany	1.7	1.9	1.4	0.4	3.2	8.7
Poland	1.6	1.2	2.1	3.7	5.2	13.2
Austria	2.2	2.1	1.5	1.4	2.8	8.6
Czech Republic	**2.4**	**2.0**	**2.6**	**3.3**	**3.3**	**14.8**
Hungary	2.4	2.9	3.4	3.4	5.2	15.3
Slovakia	1.4	2.5	2.8	2.0	2.8	12.1

Source: CZSO, OECD. For the EU (including the member states) a harmonised Indices of Consumer Prices (HICP) was used.

1.2 Monetary Policy and Foreign Exchange Market

In response to inflationary pressures, the CNB, having been one of the first central banks in the developed world to restart interest rate hikes in 2021, continued to raise rates markedly in the first half of 2022. The base 2W repo rate rose by 3.25 pp year on year to 7.0% at the end of the year, its highest level in more than 20 years. In the second half of the year, however, the CNB Board's preference for rate stability prevailed, and rates remained unchanged thereafter.

The major global central banks in the US, the euro area and the UK, albeit with a lag compared to the CNB, all raised their base rates radically in 2022 in response to soaring inflation (Table 1.4). Along with the rate hikes, central banks in both the US and the euro area proceeded to taper or reverse their earlier asset purchase programmes. The exception when it came to raising interest rates was the central bank in Japan, although it too announced that it was altering its monetary policy stance on asset purchases. The most significant increases in monetary policy rates among the central banks tracked were in Poland (by 5.0 pp to 6.75%) and Hungary (by 10.6 pp to 13.0%).

Table 1.4: Key monetary policy rates of selected central banks[2]

As at 31 Dec (% p.a.)		2017	2018	2019	2020	2021	2022
United States	Fed	1.25–1.50	2.25–2.50	1.50–1.75	0–0.25	0–0.25	4.25–4.50
Euro area	**ECB**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**2.50**
Japan	BoJ	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
United Kingdom	BoE	0.50	0.75	0.75	0.10	0.25	3.50
Poland	NBP	1.50	1.50	1.50	0.10	1.75	6.75
Czech Republic	**CNB**	**0.50**	**1.75**	**2.00**	**0.25**	**3.75**	**7.00**
Hungary	MNB	0.90	0.90	0.90	0.60	2.40	13.00

Source: Fed, ECB, BoJ, BoE, NBP, CNB, MNB

2 In the case of the Fed, these are the federal funds rates; in the case of the ECB. These are the fixed rates of main refinancing operations. Values for BoJ represent interest rates of the complementary deposit facility. In the case of BoE, these are base rates. Concerning the Visegrad countries, in the case of NBP these are the minimum money market intervention rates, in the case of the CNB the two-week repo rates and in the case of the MNB the three-month deposit rates.

The average annual exchange rate of the Czech koruna against the selected currencies (Table 1.5) developed differently. The koruna depreciated against the US dollar and the Swiss franc, currencies that global investors usually prefer in times of heightened uncertainty, on the back of interest rate hikes by the major global central banks and geopolitical tensions over the military conflict in Ukraine. The domestic currency also depreciated against the Chinese renminbi, which is trending broadly along similar lines to the US dollar over the longer term.

In contrast, the koruna appreciated against the euro and UK sterling, and even more so relative to the Central European currencies. It also appreciated sharply against the Japanese yen, also due to the Japanese central bank's retention of the monetary policy rate at its current negative level were evident.

Factors behind the appreciation of the Czech koruna against certain currencies included the fact that the CNB raised monetary policy rates earlier, the CNB's exchange rate interventions in 2022 and the easing of tensions in global financial markets.

Table 1.5: Average CZK exchange rates to major and regional currencies

Average exchange rate		2017	2018	2019	2020	2021	2022	Year-on-year change[3] (%)
United States dollar	CZK/USD	23.4	21.7	22.9	23.2	21.7	23.4	7.7
Euro	**CZK/EUR**	**26.3**	**25.6**	**25.7**	**26.4**	**25.6**	**24.6**	**-4.2**
Chinese yuan	CZK/CNY	3.5	3.3	3.3	3.4	3.4	3.5	3.3
Japanese yen	CZK/100 JPY	20.8	19.7	21.1	21.7	19.8	17.8	-9.7
British pound	CZK/GBP	30.1	29.0	29.3	29.7	29.8	28.8	-3.3
Swiss franc	CZK/CHF	23.7	22.2	23.1	24.7	23.7	24.5	3.1
Polish złoty	CZK/PLN	6.2	6.0	6.0	6.0	5.6	5.2	-6.7
Hungarian forint	CZK/100 HUF	8.5	8.0	7.9	7.5	7.2	6.3	-11.9

Source: CNB, MoF calculations

[3] A negative value denotes appreciation of the CZK exchange rate; a positive value means depreciation.

2 PLACEMENT OF FUNDS IN THE FINANCIAL MARKET

The volume of funds placed in the financial market[4] continued its sustained growth, increasing by CZK 467.7 billion (5.8%) to CZK 8.6 trillion in 2022 (Table 2.1); However, this was the second lowest growth in the reporting period in both absolute and relative terms.

Table 2.1: Placement of funds in the financial market

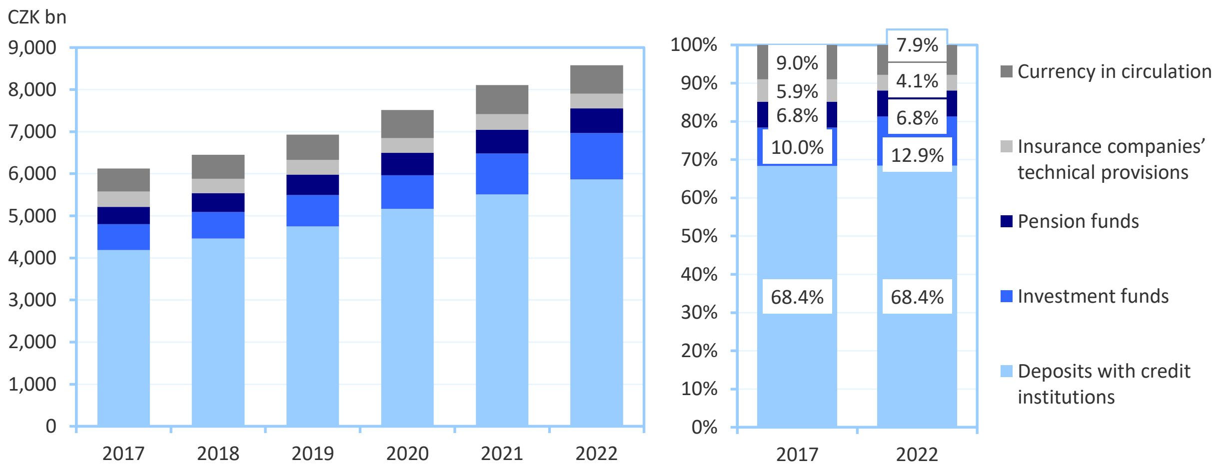
As at 31 Dec (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Deposits with credit institutions[5]	4,188.1	4,461.5	4,747.4	5,170.1	5,509.5	5,866.3	356.8	6.5
of which: building savings banks	358.9	355.0	359.7	362.7	366.3	334.7	-31.6	-8.6
Investment funds	614.2	627.8	746.0	798.2	971.4	1,103.0	131.7	13.6
Pension funds	413.9	447.1	487.1	527.9	566.7	584.2	17.5	3.1
Insurance companies' technical provisions	359.5	345.3	348.3	349.8	369.1	348.6	-20.5	-5.5
Currency in circulation	548.3	571.2	598.9	668.1	691.2	673.4	-17.7	-2.6
Total	6,124.0	6,452.8	6,927.8	7,514.0	8,107.8	8,575.5	467.7	5.8

Source: AKAT, APS CR, CNB – ARAD, MoF, MoF calculations

The highest absolute growth in the volume of funds in 2022, as in the whole reporting period, was recorded in deposits with credit institutions; these deposits are also the most significant item, measured by volume, in the above-mentioned structure of funds placement. Deposits as a share of total funds increased by 0.4 pp to 68.4% in 2021, reaching the same level as in 2017 (Graph 2.1).

As in 2017, 2019 and 2021, investment funds recorded the highest growth rate (13.6%) among the categories of funds monitored. From the point of view of how the placement of funds is structured, the share of client assets managed by investment funds grew the most during the reporting period, increasing by 2.9 pp. By contrast, the share of insurance companies' technical provisions decreased most markedly since 2017 (by 1.8 pp). The proportion of client assets in pension funds continued to hover around 7% and the share of currency in circulation gradually declined to 7.9% from its peak in the opening year of the reporting period.

Graph 2.1: Placement of funds in the financial market



Source: AKAT, APS CR, CNB – ARAD, MF, MoF calculations

Note: The right side of the graph shows the comparison of funds placement structure (in %) between 2017 and 2022.

[4] This aggregate indicator is one of the ways used to express the size of the financial market by focusing on the intermediary financial market. It includes the funds of clients of financial institutions (private individuals and legal entities) that are placed in the financial market through the financial products offered by credit institutions, insurance companies, pension management companies and collective investment instruments, as well as currency in circulation (excluding cash held at bank cash counters). It does not include direct investments in securities.

[5] Includes the CZK and foreign currency deposits of clients (residents and non-residents) in banks (including building savings banks) and credit unions, but not including the CNB.

3 HOUSEHOLD SAVINGS STRUCTURE

The volume of household savings placed in financial market products and instruments[6] continued its long-term growth during 2022, increasing by CZK 387.2 billion (7.2%) to CZK 5.8 trillion (Table 3.1). While this was a lower absolute and relative year-on-year increase in savings than in 2021, it constituted a slightly above-average absolute increase over the reporting period since 2017, and in relative terms the increase was average.[7]

Table 3.1: Household savings structure

As at 31 Dec (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Demand deposits	1,958.5	2,139.7	2,276.6	2,687.9	2,886.4	2,775.6	-110.9	-3.8
Term deposits	563.3	571.3	591.1	537.8	570.1	845.8	275.7	48.4
of which: building savings schemes	349.3	345.2	350.3	352.0	356.2	328.1	-28.1	-7.9
Pension funds	413.1	446.6	483.7	523.2	560.8	579.6	18.8	3.4
Life insurance	277.1	265.2	267.6	268.4	269.3	245.8	-23.5	-8.7
Investment funds	433.7	451.6	533.4	566.5	711.9	811.9	100.0	14.0
Debt securities	161.5	128.6	145.3	158.3	146.1	243.4	97.2	66.5
Listed shares	71.8	69.7	219.9	240.9	269.1	299.0	29.9	11.1
Total	3,879.0	4,072.7	4,517.5	4,983.1	5,413.9	5,801.1	387.2	7.2

Source: CNB – ARAD, MoF calculations

Among the products monitored, term deposits newly recorded the highest absolute year-on-year growth, rising by CZK 275.7 billion to CZK 845.8 billion. When building savings schemes were separated from term deposits as a distinct product, the increase in term deposits adjusted in this way was even steeper, i.e. up by CZK 303.8 billion to CZK 517.8 billion. This very high increase in the volume of term deposits, which was also the highest year-on-year growth rate recorded in the reporting period from the perspective of individual products (142.0%), resulted in term deposits (excluding building savings schemes) also becoming the product that had increased its share in total household savings the most compared to the end of 2017, by 3.4 pp to 8.9% (Graph 3.1). In previous years of the reporting period,[8] by contrast, demand deposits had the highest absolute growth in terms of both volume and their share in total savings.

The sharp rise in the volume of term deposits can be attributed to the CNB's steep increase in monetary policy rates during the first half of 2022. Over time, this was mirrored in the higher rates offered on term deposits, making them more attractive than the usually lower-interest (or more restrictive) current or savings accounts where deposits are transferable on demand. Some depositors may also have been motivated to fix their interest rates over a longer horizon by taking up term deposits. The generally lower interest rate on demand deposits in 2022 was reflected in their year-on-year decline by CZK 110.9 billion to approx. CZK 2.8 trillion. During the first three quarters of 2022, the outflow of demand deposits partly coincided with an increase in term deposits, while by the fourth quarter of 2022 the volume of demand deposits increased, accompanied by a slowdown in the growth of term deposits. Nonetheless, demand deposits were the product that recorded the largest year-on-year decline in its share of household savings, going down by 5.5 pp to 47.8%, although they remained the most significant item measured by volume in the household savings structure.

Building savings schemes posted a higher annual rate of decline (by 7.9%) than demand deposits (-3.8%) in 2022. Their share in the household savings structure has fallen the most among the products monitored since the end of 2017, dropping by 3.4 pp to 5.7%.

6 The term "savings" is used throughout the chapter to refer to household financial assets; these include households' CZK-denominated and foreign-currency funds placed in the financial market through the financial products offered by domestic and foreign credit institutions, insurance companies, pension management companies and management companies, and households' direct investments in debt securities and listed shares.

7 When comparing the growth in savings in 2022 with the average for the reporting period, the calculation of the average growth deliberately excludes developments in 2019. The 2019 figures have been significantly affected by the methodological refinement of estimates of the volume of shares and other equity interests held by households – this was the main reason for the significant increase, at the time, in the volume of listed shares (i.e. shares traded on regulated markets) as one of the monitored items of total savings.

8 Except for 2019, which was affected by a methodological change in the case of listed shares.

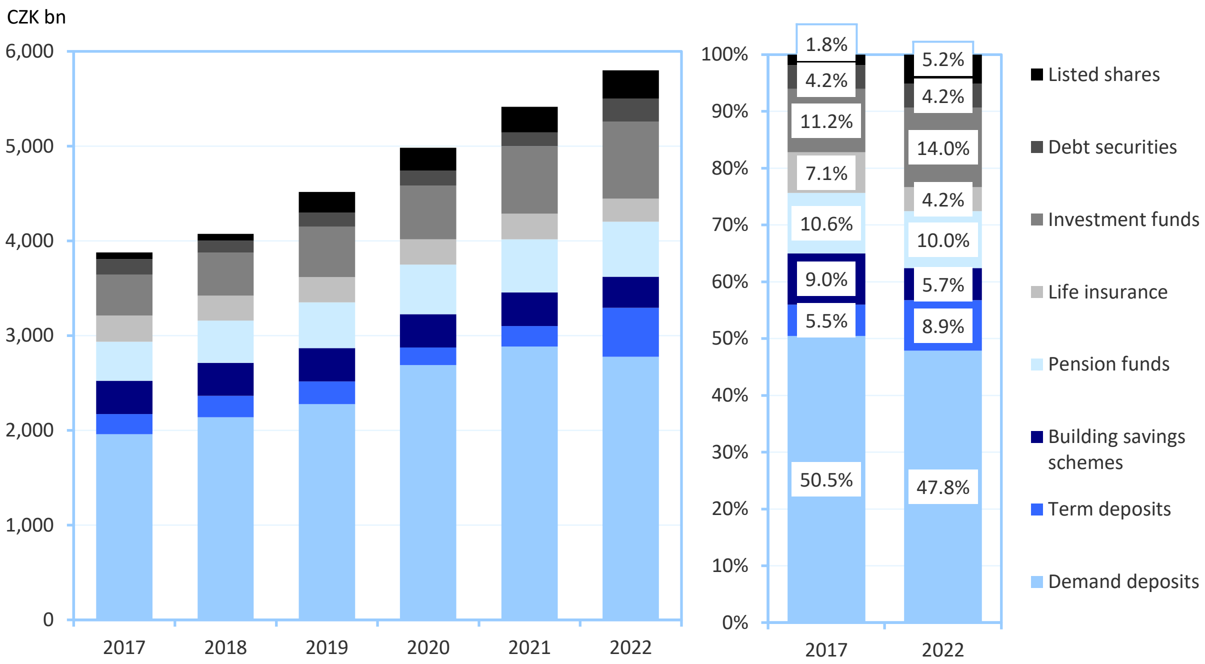
Overall, although the volume of deposit products increased year on year in 2022, their share in household savings fell to 62.4%, the lowest in the reporting period.

The volume of households' savings placed in investment funds rose above average year on year both in absolute and relative terms over the reporting period, even though, especially in the first half of 2022, the total value of holdings in investment funds was negatively affected by a partial decline in the value of the assets accumulated. Investments during 2022 were mostly channelled into domestic funds, the value of which also increased in the second half of 2022 thanks to the slight appreciation of the assets invested. The share of households' resources allocated to investment funds in total household savings increased by 0.8 pp year on year to 14.0%.

By contrast, the absolute and relative annual growth of assets in pension funds was well below average in 2022 relative to the reporting period, leading to a slight annual decrease in their share of household savings by 0.4 pp to 10.0%. In 2022, after a slight rise over the previous three years, households' savings under financially accumulating life insurance products recorded their largest decline in absolute and relative terms for the reporting period. This exacerbated the persistent decline in the significance of investment life insurance in the household savings structure, with its share decreasing by 0.7 pp year on year to 4.2%.

Debt securities also contributed to the growth in total household savings. This can be attributed to their highest absolute increase and growth rate in the reporting period, which was mainly due to an increase in government savings bonds, and specifically inflation-linked bonds, held by households at the beginning of 2022. The share of debt securities in household savings rose by 1.5 pp year on year, fully offsetting the decline in their share during the reporting period from 4.2% at the end of 2017. As for listed shares, 2022 saw the highest absolute increase in their volume since the change in the reporting methodology for listed shares in 2019, increasing their share of household savings by 0.2 pp year on year to 5.2%.

Graph 3.1: Household savings structure



Source: CNB – ARAD, MoF calculations

Note: The right side of the graph shows the comparison of household savings structure (in %) between 2017 and 2022.

4 INSTITUTIONAL ASPECTS OF THE FINANCIAL MARKET

4.1 Number of Financial Market Entities

There were no significant changes in the number of entities in each sector in 2022.

Table 4.1: Numbers of entities providing services in the financial market

As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change
Credit institutions							
Banks	46	50	49	49	46	44	-2
of which: foreign banks branches	23	27	25	25	23	23	0
of which: building savings banks	5	5	5	5	5	5	0
Credit unions	10	10	9	8	7	6	-1
Capital market							
Investment firms (incl. foreign branches)	66	79	76	77	76	70	-6
Investment funds with legal personality	125	138	156	188	213	249	36
Management companies	30	31	35	39	44	47	3
Mutual funds	227	242	252	234	253	284	31
of which: qualified investor funds	79	89	94	90	104	117	13
of which: collective investment funds	148	153	158	144	149	167	18
Investment intermediaries	7,043	6,847	191	163	153	138	-15
Tied agents	26,448	21,409	18,409	13,470	14,229	15,178	949
Pension management companies	8	8	8	9	9	9	0
Pension funds	36	36	38	39	42	44	2
Insurance							
Insurance companies	49	48	47	44	41	41	0
of which: branches of foreign insurance companies	21	20	20	17	18	18	0
Reinsurance companies	1	1	1	1	1	1	0
Insurance intermediaries	181,121	185,125	38,481	38,001	30,877	32,448	1,571

Source: CNB, MoF calculations

In the dominant banking sector, there was a decline in the number of entities by two, with four closing down and two starting up. The licence of Equa bank a.s., which was merged with Raiffeisenbank a.s., ceased to be valid at the beginning of 2022. In April, the CNB decided to revoke the licence of Sberbank CZ, a.s. as it was unable to meet its obligations towards its clients as of 25 February 2022 due to a lack of liquidity in connection with the implications of the military conflict in Ukraine. Sberbank CZ, a.s. subsequently went into liquidation in May. In September 2022, Banka CREDITAS a.s. became the owner of Expobank CZ a.s., which changed its business name to Max banka a.s. in October 2022. In addition, two branches of foreign banks, AS Inbank, odštěpný závod, and FCM BANK Praha, odštěpný závod, launched operations during 2022. In the other direction, MUFG Bank (Europe) N.V. Prague Branch ceased operations in December 2022 and PRIVAT BANK der Raiffeisenlandesbank Oberösterreich Aktiengesellschaft, pobočka Česká republika, which had stopped its operations as at 31 December 2021, was no longer active in the sector in 2022.

In the credit union sector, Družstevní záložna Kredit’s members’ meeting in April 2022 decided to dissolve the credit union with liquidation, bringing the number of entities down to six.

In the capital market, there was a significant increase in the number of investment funds with legal personality (by 36 entities), investment companies (by 3 entities) and mutual funds (by 31 entities). In contrast, the number of investment firms decreased by six entities.

The numbers of investment service intermediaries continued to stabilise in 2022 after significant declines in 2019 and 2020, when new licensing rules for these entities had come into play. There was only a slight decrease in the number of investment intermediaries by 15 entities, while the number of tied agents increased by 949.

There is no change in the number of entities in the pension management company sector in 2022. The number of pension funds increased by two, with authorisation granted to Conseq Target Bond 2035 účastnický fond, Conseq penzijní společnost, a.s. (in February) and ČSOB dynamický zodpovědný účastnický fond a participation fund of ČSOB Penzijní společnost, a. s., člen skupiny ČSOB (in July).

In the insurance sector, the number of entities also remained unchanged. The number of insurance intermediaries went up by 1,571 to 32,448.

The number of entities operating on the Czech financial market on the basis of a single European passport increased in the credit institution, insurance company and investment fund sectors in 2022. The trend among investment funds of a gradual and sustained rise in the number of entities continued, with an increase by 737 entities over the entire reporting period since 2017. By contrast, there was a slight decline in the number of management companies (Table 4.2).

Table 4.2: Number of entities operating in the Czech Republic under the single European passport

As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change
Credit institutions	431	445	468	472	418	455	37
Insurance companies	890	966	976	974	826	837	11
Investment funds	1,369	1,664	1,761	1,836	1,934	2,106	172
Management companies	39	41	51	55	51	50	-1

Source: CNB – JERRS, MoF calculations

4.2 Guarantee Schemes

In the Czech Republic, two guarantee schemes are designed to strengthen the protection of clients and the financial market as a whole. These are the Financial Market Guarantee System and the Guarantee Fund of Investment Firms.

The Financial Market Guarantee System (GSFT) is a statutory institution that manages financial resources intended to secure and maintain the stability of the financial market in the Czech Republic. The GSFT manages two accountingly separate funds, namely the Deposit Insurance Fund (DIF) and the Crisis Resolution Fund (CRF). The GSFT thus has funds that can be used to compensate for deposits, as well as funds used for the resolution of credit institutions and selected investment firms.

The payment of deposit refunds from the DIF is ensured by the GSFT in the event that a bank, building savings bank or credit union is declared insolvent by the CNB or if a court decides that such an institution is insolvent. The deposit insurance scheme guarantees compensation for deposits held at banks, building savings banks and credit unions established in the Czech Republic. This compensation covers 100% of deposits, including interest, up to an amount equivalent to EUR 100,000 per client per institution. In certain cases provided for by law, the maximum compensation is increased to an amount equivalent to EUR 200,000.[9]

Credit institutions participating in the deposit insurance scheme paid contributions[10] of CZK 1.4 billion to the DIF in 2022 (Table 4.3). Financial reserves at the end of 2022 amounted to CZK 14.2 billion, with compensation of CZK 25.3 billion being disbursed from the DIF in connection with payments to clients of Sberbank CZ, a.s.

[9] Increased compensation applies to deposits earned in specific life situations, such as sale of private immovable property used for housing, divorce settlement, collection of indemnity for injury, sickness, invalidity or death, inheritance, disbursement of a lump-sum pension, severance pay upon dismissal from work, compensation for damage caused by crime, etc.

[10] The CNB's method for calculating the amount of the contributions that financial institutions pay to the DIF factors in not only the volume of covered deposits (i.e. deposits up to an insurance limit equivalent to EUR 100,000) but also the level of risk taken by an institution.

Table 4.3: Basic indicators of DIF

As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change
Contributions (CZK bn)	0.9	1.0	1.1	1.1	1.3	1.4	0.1
Compensation payments (CZK bn)	0.3	0.0	0.0	0.0	0.1	25.3	25.2
Financial reserves (CZK bn)	30.3	31.7	34.1	35.5	37.3	14.2	-23.1

Source: GSFT, MoF calculations

The CRF is designed to finance the resolution of banks and selected investment firms. It pools resources for use in the event of a threat to the stability of a financial institution so that, bearing in mind the potential critical functions carried out by such an institution in the financial sector and the economy as a whole, it is not necessary to close it down or, where applicable, commence the compensation of deposits for its clients. In 2022, the CRF Fund received contributions of CZK 4.9 billion from mandatory institutions, the highest amount since it was established.[11] Since 2016, the CRF's financial reserves have already reached to CZK 27.5 billion.

Table 4.4: Basic indicators of CRF

As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change
Contributions (CZK bn)	3.0	3.1	3.5	3.8	4.3	4.9	0.6
Financial reserves (CZK bn)	6.0	9.2	12.8	16.7	21.2	27.5	6.3

Source: GSFT, MoF calculations

The second guarantee scheme on the Czech Republic's financial market is the Guarantee Fund of Investment Firms (GFOCP), ensure the payment of compensation to clients of investment firms that are unable to meet their obligations towards their clients. However, it does not cover the risk of a loss in the value of an investment in securities. Clients receive compensation of 90% of the value calculated in accordance with the applicable provisions of the Capital Market Business Act,[12] up to a maximum amount equivalent to EUR 20,000.

The main source of the GFOCP's assets are contributions made by the entities involved, i.e. investment firms and management companies managing clients´ assets. In 2022, the GFOCP received the second highest volume of contributions in its history, amounting to CZK 278.0 million, with contributions slipping by CZK 3.1 million year on year. Financial reserves at the end of 2022 reached CZK 1.5 billion. No compensation was paid from the GFOCP in 2022.

Table 4.5: Basic indicators of GFOCP

As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change
Contributions (CZK mn)	191.7	198.9	249.5	223.4	281.1	278.0	-3.1
Compensation payments (CZK mn)	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Financial reserves (CZK bn)	1.1	1.3	1.1	1.2	1.3	1.5	0.2

Source: GFOCP, MoF calculations

4.3 Financial Arbitrator

The Financial Arbitrator (FA) has been operating as an out-of-court resolution body for selected disputes between consumers and financial institutions on the financial market since 2003, and its remit has gradually expanded. In 2022, it was expanded to cover disputes arising in the provision supplementary pension insurance,

[11] The CNB sets an annual target level of Crisis Resolution Fund contributions so that, by the end of 2024, the fund's target volume will be 1% of the total volume of deposits covered.

[12] Act No 256/2004 Coll., on Capital Market Business, as amended.

supplementary pension savings, pan-European personal pension products and dynamic currency conversion,[13] empowering the FA to resolve consumer disputes almost across the entire financial market. The FA's remit includes the out-of-court resolution of consumer disputes relating to the provision of payment services, non-payment accounts and passbooks, electronic money, building savings schemes, consumer credit (including mortgage and building savings scheme loans), collective investment and investment services, foreign exchange, life insurance, pension products and dynamic currency conversion. On the other hand, the FA does not have jurisdiction over non-life insurance disputes and disputes involving shareholders and bondholders.

In 2022, the FA initiated 1,434 new proceedings and dealt with 2,533 disputes as a further 1,098 previously initiated proceedings were pending alongside the newly initiated ones. This represented a year-on-year decline in both newly initiated and pending proceedings. The most frequent new disputes (more than half) were related to consumer credit, though there was a significant year-on-year decline in these cases. By contrast, the fewest new disputes related to collective investment (one case). The highest year-on-year increase was in disputes relating to the provision of payment services. More than half of all disputes involved consumer credit, a quarter related to payment services and less than a tenth concerned life insurance.

Table 4.6: Number of proceedings commenced and pending in individual years

As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change
Proceedings commenced	1,344	1,401	1,178	1,228	1,709	1,427	-282
of which: payment services	138	130	141	179	209	406	197
consumer credit	338	513	664	786	1,294	826	-468
life insurance	734	626	246	172	110	98	-12
Total proceedings pending	3,220	3,619	3,142	2,425	2,820	2,525	-295

Source: FA, MoF calculations

4.4 Economic Results of Financial Institutions

All the financial market sectors surveyed recorded pre-tax profits in 2022 and, with the exception of insurance companies, a year-on-year increase in their profits (Table 4.7). The highest relative profit gains were posted by banks (42.8%) and management companies (15.9%). Among insurance companies, profits fell by 39.2% year on year. However, this relative decline was also due to the robust 2021 result, which was affected by the one-off impact of extraordinary accounting transactions related to corporate changes. Pension management companies and non-bank investment firms, including foreign branches, recorded a year-on-year increase in profits of around 5%. Banks again generated the largest volume of profits of all the financial market sectors monitored (83% share, up by 13.0 pp year on year).

Table 4.7: Profit/loss of financial institutions before tax

As at 31 Dec (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Banks	90.3	98.0	109.2	57.4	85.5	122.2	36.6	42.8
Insurance companies	10.4	17.4	20.1	17.8	31.3	19.0	-12.3	-39.2
Pension management companies	1.6	1.7	2.3	2.3	2.6	2.7	0.1	5.3
Management companies	1.2	1.4	1.5	1.5	2.0	2.3	0.3	15.9
Non-bank investment firms	1.0	0.8	0.8	1.2	1.4	1.4	0.1	5.4

Source: CNB – ARAD, MoF calculations

[13] This is currency exchange offered by ATM operators when cash is withdrawn or by merchants when payment is made by card. The service may be offered if the payment is made in a currency other than the currency of the account from which the payment is made.

5 CREDIT INSTITUTIONS AND OTHER PROVIDERS OF ASSET FINANCING

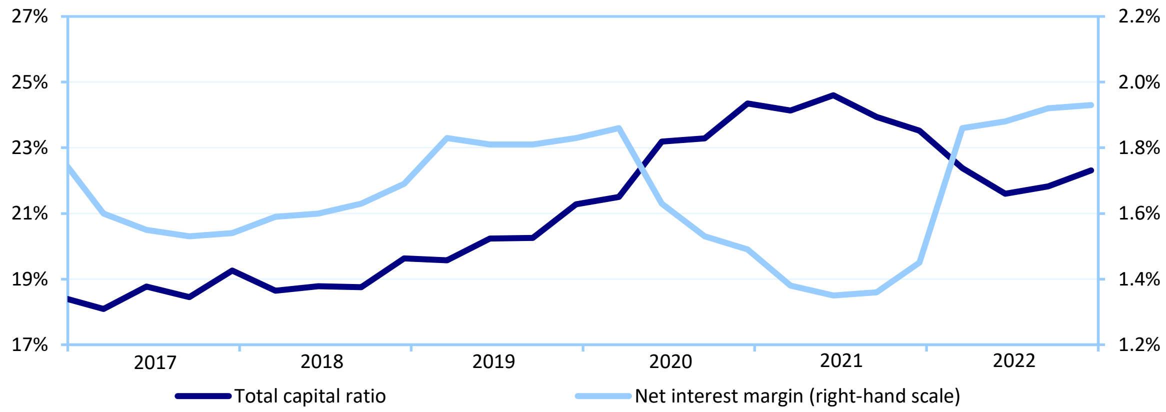
This chapter primarily focuses on credit institutions, specifically banks (the bulk of the chapter), including building savings banks (Chapter 5.7), and credit unions (Chapter 5.8). Specific topics are also covered, such as interest rates (Chapter 5.4), deposits and loans (Chapter 5.5), and mortgage lending (Chapter 5.6). The next chapter (Chapter 5.9) deals primarily with developments in the segment of non-bank financing providers. This sub-sector offers products[14] that are fairly close substitutes for bank loans and, if they are offered to retail clients, contribute towards the indicator of overall household indebtedness, which is the subject of the last chapter (5.10).

5.1 Main Developments in the Banking Sector

In 2022, the banking sector was affected by the rise in the CNB's monetary policy rates and, only to a limited extent, by the direct economic consequences of the rise in energy prices and the uncertainty surrounding the ongoing military conflict in Ukraine. Assets, client deposits and loans all rose to new record volumes again. As in 2021, credit quality improved again. Profit before tax increased by more than 40% year on year, thereby registering its highest level to date. Long-term factors, especially the generally high capital adequacy ratio and the long-standing high and mostly increasing loan-to-deposit ratio, continued to bolster the sector's overall resilience.

The total capital ratio, as a gauge of the banking sector's capital adequacy, declined slightly year on year for the second year in a row in 2022, falling by 1.2 pp to 22.3%, following the easing of the dividend restrictions introduced in 2020 in response to the potential impact of the COVID-19 pandemic (Graph 5.1). There have been slight differences in the total capital ratio across groups of banks, depending on their size or focus, over the long term. Large banks[15] reported a decline by 2.6 pp to 20.8%, well below the sector average. The ratio was just below average for building savings banks (22.0%) and well above average for medium-sized and small banks (25.4% each). The net interest margin, one of the key drivers of profitability, increased significantly (by 0.5 p.p. to 1.9%) in response to the monetary policy rate hikes initiated by the CNB in the second half of 2021, with the highest increase occurring in the first quarter of 2022.

Graph 5.1: Total capital ratio and net interest rate margin



Source: CNB – ARAD

Total banking sector assets, including those of building savings banks (Table 5.1), came to a new high of CZK 8.9 trillion at the end of 2022.[16] The 4.0% year-on-year growth in assets was below average over the

[14] Some similar services and products (for example, in the area of the payment system or provision of financing) are also offered by other entities that make greater use of information technology, such as peer-to-peer lending, crowd funding, etc.

[15] Large banks have been taken to mean banks with total assets exceeding 10% of the volume of total assets for the sector as a whole, while mid-sized banks have assets of 2-10% relative to the sector's total assets, and small banks have total assets below 2% of those of the sector as a whole.

[16] These values, published in the CNB's time series ARAD system, differ from the values published by the CNB for example in its Supervisory Report due to different methodologies. These differences then may appear, for example, in the case of indicators of the share of non-performing loans.

reporting period since 2017. The year-on-year growth rate of client loans fell by 1.2 pp to 5.8%, while the growth rate of deposits (6.5%), which were again the main source of growth in total liabilities, was similar to that in 2021. This was reflected in a slight increase in the figure of the deposit-to-loan ratio by 0.9 pp to 143.9%, its highest level in the reporting period.

Table 5.1: Basic indicators of the banking sector

As at 31 Dec (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Total assets	7,064.5	7,329.5	7,623.6	8,018.0	8,603.2	8,943.3	340.1	4.0
Client loans	3,085.5	3,306.4	3,450.5	3,595.6	3,847.8	4,071.7	223.9	5.8
Client deposits	4,169.1	4,445.6	4,739.3	5,162.0	5,502.3	5,858.9	356.6	6.5
Ratio of client deposits to loans (%)	135.1	134.5	137.4	143.6	143.0	143.9	0.9	0.6
Total capital ratio (%)	19.3	19.6	21.3	24.4	23.5	22.3	-1.2	-5.1

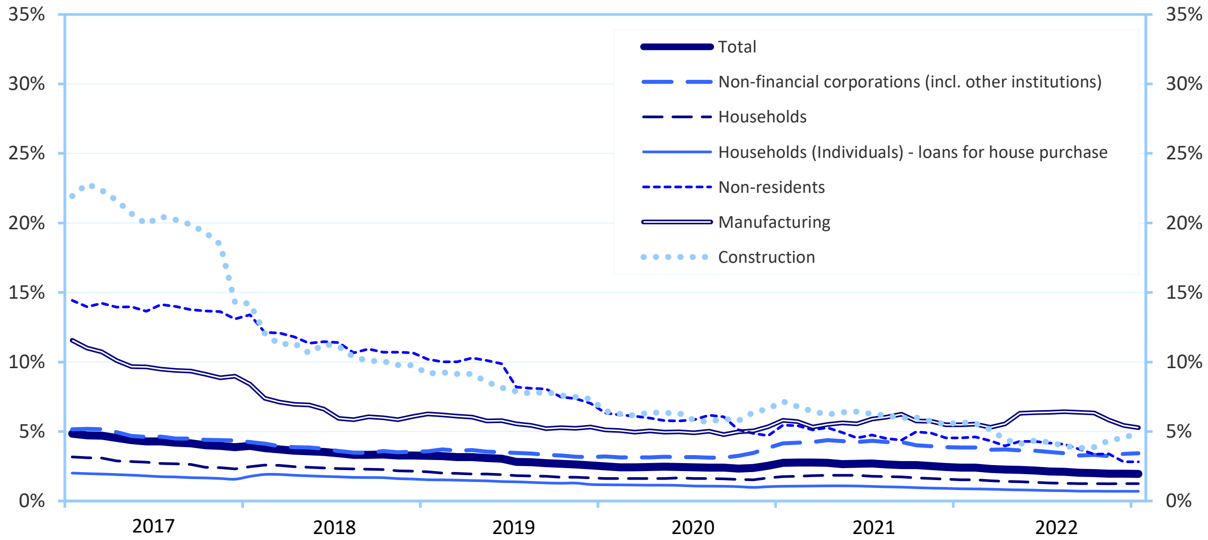
Source: CNB – ARAD, MoF calculations

5.2 Banking Sector Assets and the Credit Portfolio Quality

The structure of assets remained essentially unchanged year on year in case of the most significant items. Loans and other advances to clients remained the dominant component, the share of which increased by 0.8 pp year on year to 45.5%. Banks held less than a quarter of their assets (23.1%) in the form of exposures to the central bank,[17] with the share of this balance sheet item falling by 4.1 pp year on year. Domestic central government bonds accounted for more than an eighth of assets (12.9%), with their volume rising by around a sixth year on year. Over the reporting period since year-end 2017, there has been an increase of more than 150%, significantly increasing the magnitude of banks' exposure[18] to the government sector.

Since client loans have long been the key component of bank assets, it is worth taking a closer look at their quality. The share of non-performing loans in total client loans fell by 0.4 pp year on year to 2.0%, the lowest level recorded so far in 20 years. All the client sectors and industries monitored also recorded a decline in the share of non-performing loans (Graph 5.2).

Graph 5.2: Share of non-performing loans by client sector and branches of economic activity



Source: CNB – ARAD[19], MoF calculations

[17] These tend to be repo transactions.

[18] As part of its stress test of Czech public finances in the first half of 2022, the CNB judged these exposures to be systemically important, but found no need to demand additional capital.

[19] The reporting methodology follows prudential business rules that have changed over time and therefore the data are not fully comparable.

5.3 Economic Results and Profitability of the Banking Sector

The banking sector's pre-tax profit for 2022 rose year on year by CZK 36.6 billion to CZK 122.2 billion, climbing to its highest level since 2008[20] (Table 5.2).

Table 5.2: Selected items from the profit and loss accounts of the banking sector

As at 31 Dec (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Net interest income	112.1	129.8	145.7	126.9	128.9	171.9	43.0	33.4
Interest income	146.7	179.2	225.9	186.1	184.7	430.9	246.3	133.3
Interest expenses	34.6	49.4	80.2	59.2	55.8	259.1	203.3	364.2
Net fee and commission income	32.1	33.6	33.1	30.9	34.9	38.1	3.2	9.1
Fee and commission income	44.6	46.1	44.3	42.9	48.5	52.6	4.2	8.6
Fee and commission expenses	12.5	12.4	11.2	12.0	13.5	14.5	1.0	7.4
Administration costs	73.6	76.7	77.7	73.3	75.5	79.3	3.8	5.0
Other net income	19.7	11.4	8.1	-27.1	-2.7	-8.5	-5.8	211.9
Total profit or (-) loss before tax	90.3	98.0	109.2	57.4	85.5	122.2	36.6	42.8

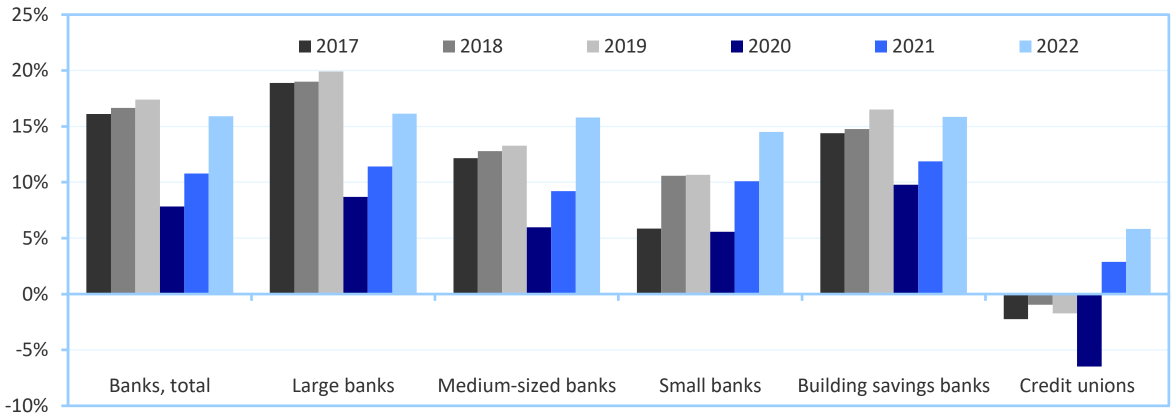
Source: CNB – ARAD, MoF calculations

Of the four aggregated items monitored, net interest income had the most significant impact on year-on-year profit developments, recording a year-on-year increase of CZK 43.0 billion. The growth in interest expense (by CZK 203.3 billion) was lower than the growth in interest income (by CZK 246.3 billion), despite growing more than threefold year on year. Interest income rose year on year on the back of higher interest rates on banks' assets allocated under repo transactions with the central bank and a sequential pick-up in interest rates on loans and other assets. Net fee and commission income also recorded positive growth, rising by CZK 3.2 billion.

By contrast, the total profit was adversely affected by a decline in other net income (by CZK 5.8 billion), which was mainly due to an increase in impairment losses (by CZK 5.5 billion) and a decline in foreign exchange gains (by CZK 3.8 billion). Similarly, banks' administration costs had a similar effect on profit, as they increased by CZK 3.8 billion year on year to CZK 79.3 billion.

As a whole, the banking sector posted a return on Tier 1 capital of 15.9%. This steep year-on-year increase (by 5.1 pp) almost brought this relative indicator back to pre-pandemic COVID-19 levels (Graph 5.3). Year-on-year growth again occurred in all bank segments, whether grouped by size and focus. Medium-sized banks registered the highest increase (by 6.6 p.p. to 15.8%), thus achieving the highest value reported for this indicator in the reporting period since 2017; in doing so, they almost matched the profitability of the large banks (16.1%). Consequently, the gaps between the different segments of banks narrowed further. The small-bank segment reached slightly lower figure (14.5%). For the sake of comparison within the credit institution sector, it is worth mentioning the credit unions, which doubled its profitability in 2022 (by 2.9 p.p. to 5.8%).

Graph 5.3: Profit or (-) loss after taxation/Tier 1 capital (%)



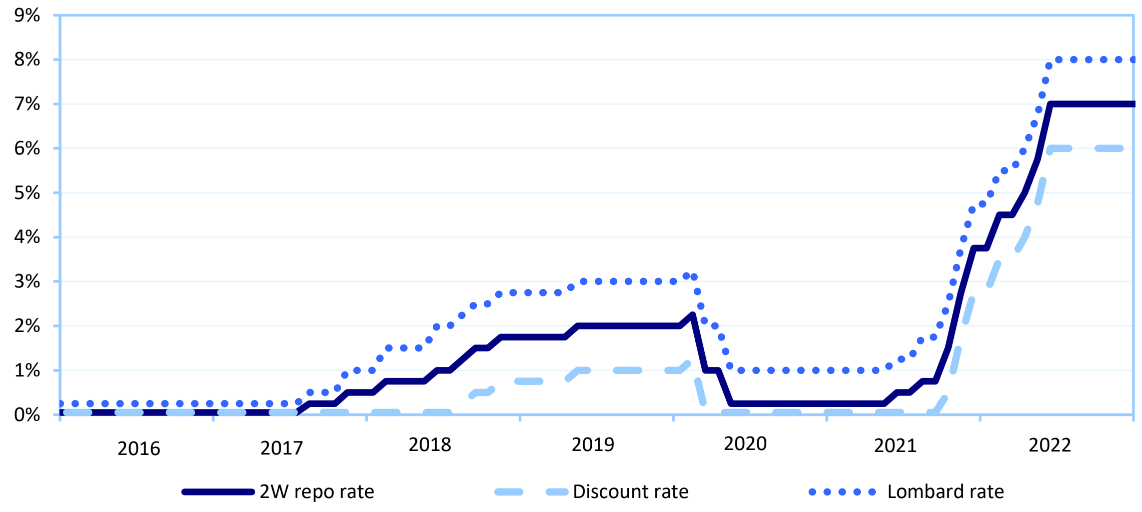
Source: CNB – ARAD, MoF calculations

[20] The relevant time series of the CNB-ARAD database began in 2008.

5.4 Interest Rate Development

Market interest rates are heavily influenced by the effects of monetary-policy instruments. In the first half of 2022, the CNB followed up on the rate hikes it had initiated at the start of the second half of 2021, having been one of the first central banks in an advanced economy to do so. After four increases in 2022, the 2W repo rate rose to 7.0%; the last time the rate was this high was more than 20 years ago. Starting in 2021, the relative spread between the various monetary policy rates was at the previously usual level of 1 pp; this was after rates moved at that time significantly away from the zero bound (Graph 5.4).

Graph 5.4: CNB interest rates



Source: CNB – ARAD

The increase in monetary policy rates was reflected in a year-on-year rise in most of the average annual client deposit and lending rates monitored (Table 5.3). The interest rate on household deposits climbed to its highest level in 10 years; in the case of non-financial corporations, the deposit rate was at its highest for a full 20 years. The average annual interest rate on koruna-denominated loans to non-financial corporations rose by 3.5 pp to 6.5% and, again, was the highest in 20 years. The average annual interest rate on household consumer loans fell to a new low (8.3%), while household housing loans rose by 0.2 pp to 2.6%.

Table 5.3: Average interest rate

Average for the period (% p.a.)		2017	2018	2019	2020	2021	2022
Deposits	households	0.4	0.3	0.4	0.3	0.3	1.2
	non-financial corporations	0.0	0.1	0.4	0.2	0.1	2.0
Loans	to households	4.1	3.8	3.7	3.5	3.3	3.4
	for consumption	11.4	10.2	9.5	9.0	8.4	8.3
	for house purchase	2.7	2.5	2.5	2.5	2.4	2.6
	to non-financial corporations	2.6	3.1	3.8	2.9	3.0	6.5

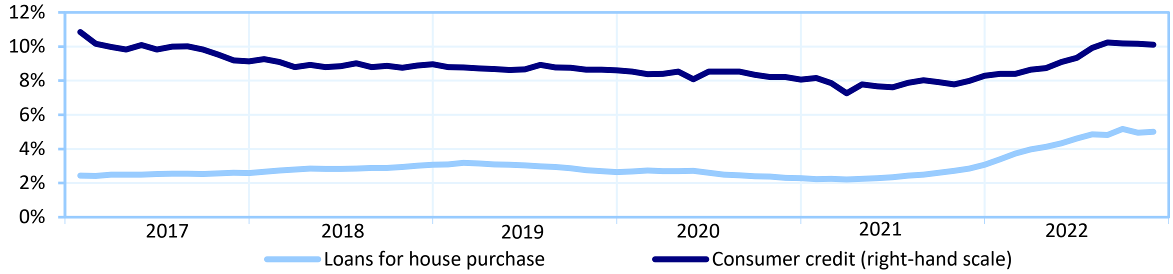
Source: CNB – ARAD, MoF calculations

Note: Average rates on total CZK-denominated deposits and loans.

With household loans, it is appropriate to monitor not only the interest rate (as the main yardstick for the prices of such loans), but also a more comprehensive indicator that encompasses other loan costs in the form of APRC.[21] The APRC on newly granted consumer loans continued to rise for the second year, increasing slightly by 1.8 pp year on year to 10.1%, and at the end of the year was thus back close to the highest level recorded at the beginning of the reporting period (Graph 5.5). The APRC on newly granted housing loans rose by 2.0 pp to 5.0%, i.e. to the level it was last at in 2010.

[21] The APRC (annual percentage rate of charge) represents the percentage of the amount due that the client must pay over the period of one year in addition to the amortisation of the loan amount, specifically in relation to fees, loan administration, and other costs associated with using the loan.

Graph 5.5: Annual Percentage Rate of Charge (APRC) of CZK loans provided by banks



Source: CNB – ARAD

5.5 Client Bank Deposits and Loans

The volume outstanding of client deposits[22] increased by 6.5% and stood at almost CZK 5.9 trillion (Table 5.4). The annual growth rate was thus 1.2 pp lower than the average for the reporting period since 2017, driven mainly by developments in the household and non-financial corporation sectors. These two sectors, which are the most significant measured by volume, posted the lowest growth rate in the reporting period (around 4%), with non-residents actually registering a relative decline in the volume of deposits (by 6.0%). In contrast, non-financial corporations and general government exhibited unusually strong growth (38.2% and 22.5% respectively).

The absolute rise in total client deposits (by CZK 356.6 billion) was the third highest in the reporting period. Staying true to tradition, households were the sector recording the highest absolute year-on-year increase in deposits' volume. Even so, year on year the absolute increase was CZK 76.1 billion lower, as the household savings that had been built up solidly in 2020 gradually dissipated. The share of household deposits in total deposits, which has long exceeded half of all deposits, fell slightly to 58.0% in 2022. Non-financial corporations accounted for more than one fifth of the total (23.3%).

Looking at the structure of deposits by maturity, the share of term deposits jumped by 10.4 pp to 28.2%, i.e. to the highest value recorded for any December in the reporting period. This was driven by the sharp increase in monetary policy rates from mid-2021, reflected in higher interest rates on longer-term deposits.

Table 5.4: Breakdown of deposits with banks by client sectors[23]

As at 31 Dec (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Households	2,370.2	2,558.5	2,725.5	3,056.8	3,264.7	3,396.4	131.8	4.0
Non-financial corporations (including other institutions)	996.9	1,041.2	1,094.8	1,217.9	1,308.9	1,367.0	58.1	4.4
Government institutions	264.7	278.8	301.7	302.4	325.3	398.6	73.3	22.5
Financial institutions	260.4	282.5	310.8	260.2	273.2	377.5	104.3	38.2
Non-residents	237.2	244.9	262.8	274.7	273.9	257.4	-16.6	-6.0
Non-profit institutions	39.7	39.8	43.8	49.9	56.3	62.0	5.7	10.1
Total	4,169.1	4,445.6	4,739.3	5,162.0	5,502.3	5,858.8	356.6	6.5

Source: CNB - ARAD, MoF calculations

The volume outstanding of client loans grew by 5.8% to almost CZK 4.1 trillion (Table 5.5). The annual growth rate was thus roughly in line with the average for the reporting period, which stood at almost 6%.

All sectors except for the volume-marginal non-profit institutions posted year-on-year growth. The two dominant sectors both recorded a slowdown in year-on-year momentum, households growing by 5.2 pp and non-financial corporations by 1.7 pp. For non-financial corporations, this was a return to a growth rate consistent with the average for the reporting period, while for households it was the lowest pace observed for the reporting period. In absolute terms, as in previous years, the largest year-on-year increase was in loans to households (by CZK 97.7 billion), although this growth was 47.1% lower than in the previous year. Financial institutions

22 The data do not include central bank or credit unions deposits or loans.

23 The table lists bank deposits. The values are therefore different from Table 2.1, which shows all credit institutions deposits (i.e. including credit unions).

experienced significant growth; 2022 accounted for more than 50% of the deposit growth, by volume, achieved over the entire reporting period since 2017.

Table 5.5: Breakdown of loans with banks by client sectors[24]

As at 31 Dec (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Households	1,527.2	1,642.7	1,745.0	1,858.7	2,043.4	2,141.1	97.7	4.8
Non-financial corporations (including other institutions)	1,022.0	1,080.3	1,119.9	1,123.0	1,188.3	1,237.1	48.8	4.1
Government institutions	44.4	48.8	49.3	54.0	58.6	62.0	3.4	5.8
Financial institutions	193.3	206.3	213.4	210.5	234.8	284.0	49.2	21.0
Non-residents	296.0	325.2	319.8	345.7	319.3	344.5	25.1	7.9
Non-profit institutions	2.7	3.2	3.0	3.7	3.3	3.0	-0.3	-10.3
Total	3,085.5	3,306.4	3,450.5	3,595.6	3,847.8	4,071.7	223.9	5.8

Source: CNB - ARAD, MoF calculations

5.6 Mortgage Market

Mortgage[25] market activity in 2022 was dampened by inflationary pressures, which were reflected in households' costs and their ability to take out and repay loans, and in rising interest rates amid the CNB's tightening monetary policy. These, together with continued supply constraints and a decline in the affordability of property, cooled demand for mortgage loans for residential housing.

In 2022, newly granted mortgage loans (i.e. including refixations or refinancing)[26] posted a significant year-on-year decline measured both by total volume (down 36.3% to CZK 566.4 billion) and by number of contracts (down 45.9% to 152.6 thousand). The downturn was brought about by the fact that the segment of mortgage loans for residential housing recorded approximately half the volume and number of new contracts compared to 2021 (Table 5.6). Conversely, in the segment of mortgage loans for non-residential property and other purposes, there was moderate growth in volume by about 3% to CZK 252.0 billion. This was the second highest figure for the reporting period. The share of this loan category in the total volume of newly granted mortgage loans increased by 17.0 pp year on year to 44.5%, i.e. the highest value for the reporting period (Graph 5.6).

Table 5.6: Newly granted mortgage loans by manner of acquisition

	As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change	
								Abs.	(%)
Residential housing	number (000's)	171.4	164.6	155.7	268.5	253.5	130.5	-123.0	-48.5
	volume (CZK bn)	311.7	301.7	299.6	591.4	644.2	314.4	-329.8	-51.2
	share on volume (%)	75.4	77.1	63.2	60.4	72.5	55.5	-17.0	-23.4
	number (%)	89.0	89.6	87.3	85.9	89.8	85.5	-4.3	-4.8
	average volume (CZK mn)	1.8	1.8	1.9	2.2	2.5	2.4	-0.1	-5.2
Non-residential property and other purposes	number (000's)	21.2	19.1	22.6	44.2	28.8	22.1	-6.6	-23.0
	volume (CZK bn)	101.5	89.6	174.8	387.7	244.5	252.0	7.5	3.1
	share on volume (%)	24.6	22.9	36.8	39.6	27.5	44.5	17.0	61.7
	number (%)	11.0	10.4	12.7	14.1	10.2	14.5	4.3	42.4
	average volume (CZK mn)	4.8	4.7	7.7	8.8	8.5	11.4	2.9	33.9
Total	number (000's)	192.6	183.7	178.2	312.7	282.2	152.6	-129.6	-45.9
	volume (CZK bn)	413.2	391.2	474.4	979.1	888.7	566.4	-322.3	-36.3

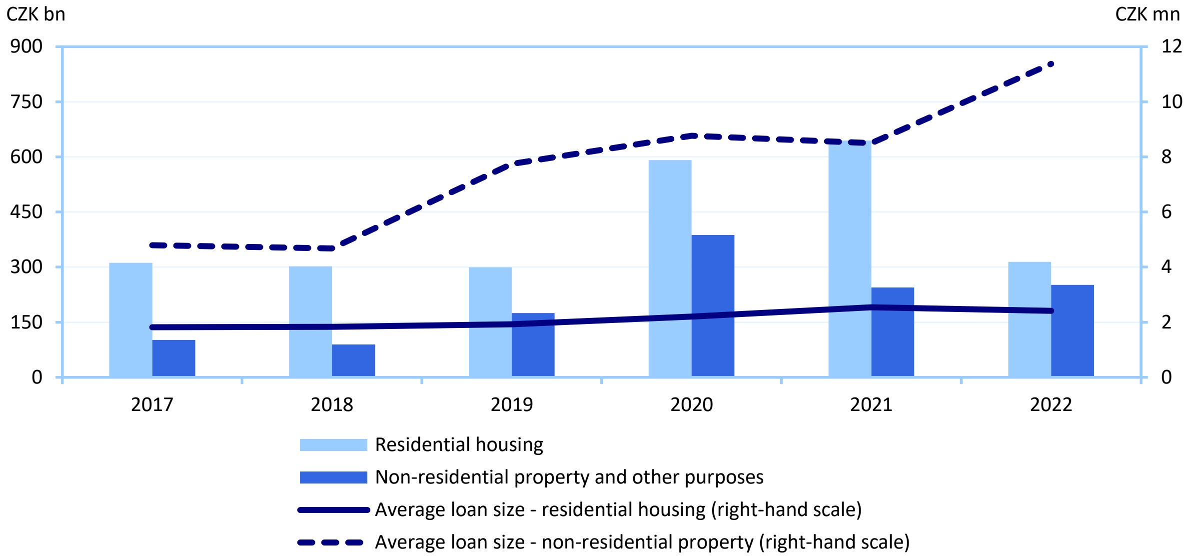
Source: CNB – ARAD, MoF calculations

[24] A specific factor that influenced the above-mentioned development in bank lending to some extent, especially in 2020 and part of 2021, was the "credit moratoria" (see Box 1 in the Report on Financial Market Developments in 2020).

[25] As of 2019, in connection with changes to the regulatory framework, a mortgage loan is a loan whose repayment, including charges and interest, is at least partially secured by a lien on the property.

[26] Newly granted mortgage loans consist of so-called purely new mortgage loans (new mortgage loans entering the economy, including increases), refinanced mortgage loans (from another lending institution) and other loan arrangements (i.e. internal refinancing, refixation, consolidation, credit moratoria).

Graph 5.6: Newly granted mortgage loans by manner of acquisition



Source: CNB – ARAD, MoF calculations

The growth in residential property prices[27] continued to be reflected in the average amount of a newly granted mortgage loan, which decreased slightly year on year by approximately CZK 130,000 to CZK 2.4 million. This was still the second highest level for the reporting period (Graph 5.6). In 2022, the average newly granted mortgage loan for non-residential property grew by a notable 34% to CZK 11.4 million.

Defining residential mortgage loans to the public more narrowly,[28] a decline was observed in both newly granted mortgage loans and refinanced loans. However, both these categories had hit record volumes the year before, and this out-of-scale comparative base was one of the reasons for the high year-on-year rate of decline in activity in 2022. Even so, in 2022 the new volumes granted in both categories were the lowest for the reporting period. The volume of newly granted mortgage loans in 2022 fell by 59.6% year on year to CZK 148.7 billion and was thus a third lower than the average of the previous five years (Table 5.7). Loan production declined markedly over the quarters, particularly in the second half of 2022 (Graph 5.7). The volume of refinanced loans shrank by three quarters (74.7%) year on year to CZK 23.2 billion. So-called other credit arrangements, which include refixations, internal refinancing, consolidations and credit moratoria, registered a drop of around 24% in volume year on year (Table 5.7).

Table 5.7: Newly granted mortgage loans (ML) to private individuals for residential housing

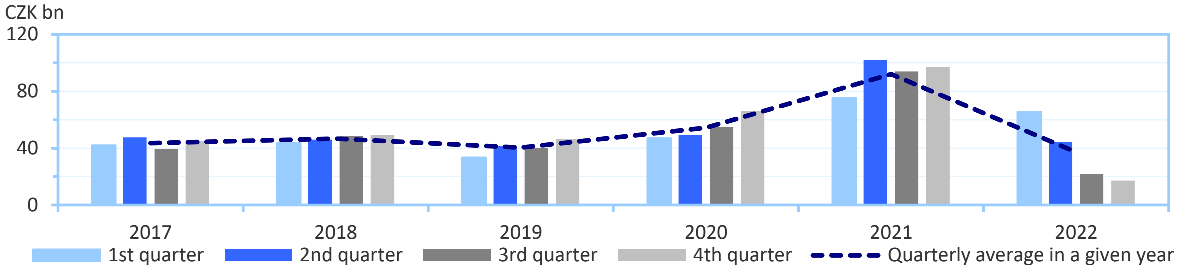
	As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change	
								Abs.	(%)
Newly granted ML (CZK bn)	Purely new ML	173.8	186.9	161.5	216.8	367.9	148.7	-219.3	-59.6
	Refinancing	38.2	34.6	29.2	49.3	91.4	23.2	-68.2	-74.7
	Other amendments	83.0	82.9	83.8	237.4	151.9	116.0	-35.9	-23.6
Share on total (%)	Purely new ML	58.9	61.4	58.8	43.1	60.2	51.7	-8.5	-14.2
	Refinancing	12.9	11.4	10.6	9.8	15.0	8.0	-6.9	-46.2
	Other amendments	28.1	27.2	30.5	47.1	24.9	40.3	15.5	62.2
Total newly granted ML (CZK bn)		295.0	304.4	274.5	503.6	611.2	287.8	-323.4	-52.9

Source: CNB – ARAD, MoF calculations

27 According to the CNB, the extent to which housing prices in the Czech Republic are overvalued had gradually increased since 2017 to around 60% by the second quarter of 2022.

28 A household sub-sector (i.e. employees, property income beneficiaries, pension recipients, and recipients of other transfers) excluding sole traders and homeowners' associations.

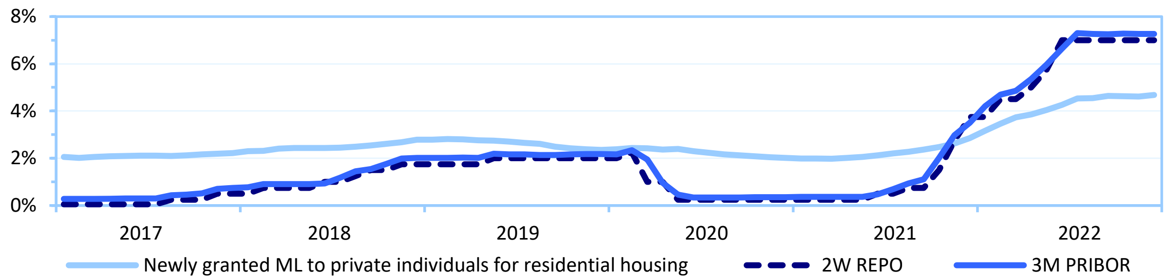
Graph 5.7: Newly granted mortgage loans (ML) to private individuals for residential housing



Source: CNB – ARAD, MoF calculations

The average monthly interest rate on newly granted mortgage loans to the public for residential housing rose gradually over the course of 2022 from an initial level slightly above 3% at the beginning of the year, when the value of the indicator was probably influenced by the rates of the previous few months' pre-negotiated loans. Having stood at 2.85% p.a. in December 2021, the rate jumped to 4.68% p.a. over the 12-month period, the highest level in the reporting period (Graph 5.8). Throughout 2022, however, the average mortgage rate remained below the CNB's gradually rising base rate (i.e. the 2W repo rate), with the highest spread between these rates (2.74 pp) observed in June.

Graph 5.8: Interest rates on newly granted mortgage loans (ML) and selected interest rates



Source: CNB – ARAD

The structure of newly granted mortgage loans, by interest rate fixation period, was shaped by the strong rise in interest rates during the year, their varying fixation-based levels, and expectations of a possible future fall in rates. As regards the breakdown of the individual categories, there was a shift away from medium-term fixation categories, with the share of fixations from 1 year to 5 years falling by 1.9 pp year on year to 37.3% and the share of fixations over 5 years to 10 years falling by 10.3 pp to 26.7%. By contrast, the category of fixations up to one year increased by a remarkable 11.9 pp to 33.2%; this category was the only one to maintain approximately the same volume of newly granted mortgage loans year on year (Table 5.8). Measured by the volume of outstanding mortgage loans, the category of fixations over 5 years and up to 10 years increased its dominance by 1.5 pp to 39.1%, thus surpassing the second most important category of fixations (from 1 year to 5 years) for the second time in a row.

Table 5.8: Mortgage loans (ML) by period of interest rate fixation

As at 31 Dec (CZK bn)		2017	2018	2019	2020	2021	2022	Year-on-year change	
								Abs.	(%)
Newly granted ML	floating/fixed up to 1 year	84.6	74.8	133.7	320.9	189.0	188.0	-1.0	-0.5
	over 1 and up to 5 years	212.9	182.6	164.7	307.5	348.0	211.2	-136.8	-39.3
	over 5 and up to 10 years	103.2	115.0	150.3	316.9	328.7	151.2	-177.4	-54.0
	over 10 years	12.4	18.9	25.6	33.8	23.1	16.0	-7.1	-30.8
	Total	413.2	391.2	474.4	979.1	888.7	566.4	-322.3	-36.3
Total unpaid principal	floating/fixed up to 1 year	285.7	309.3	466.6	520.3	503.1	523.4	20.3	4.0
	over 1 and up to 5 years	843.6	848.1	871.4	821.6	893.1	904.1	11.0	1.2
	over 5 and up to 10 years	304.2	419.1	549.9	741.9	899.4	981.6	82.2	9.1
	over 10 years	65.0	75.1	98.2	100.3	94.4	100.5	6.1	6.5
	Total	1,498.5	1,651.6	1,986.1	2,184.1	2,390.0	2,509.7	119.6	5.0

Source: CNB – ARAD, MoF calculations

This was the first time that the total number of outstanding mortgage loans recorded a year-on-year decline (by 3.6%) in the reporting period. However, the volume increased by 5.0% (Table 5.9). The year-on-year growth rate of these loans rose from 3.9% to 4.8% for non-residential property and, conversely, fell from 12.5% to 5.1% for residential property loans. Since the end of 2017, strong market dynamics have resulted in a 53% increase in the total amount owed for residential properties and a more than doubling (104.5%) for non-residential properties. This momentum has thus contributed to a further increase in the importance of mortgage loans for the domestic banking sector during the reporting period, with mortgage loans accounting for almost 40% of total bank lending at the end of 2022.[29]

Table 5.9: Mortgage loans by manner of acquisition

As at 31 Dec		2017	2018	2019	2020	2021	2022	Year-on-year change	
								Abs.	(%)
Residential housing	number (000's)	824.3	858.3	920.8	956.6	975.3	942.1	-33.2	-3.4
	volume (CZK bn)	1,088.3	1,185.8	1,301.1	1,413.3	1,589.2	1,670.7	81.5	5.1
	share on volume (%)	72.6	71.8	65.5	64.7	66.5	66.6	0.1	0.1
	number (%)	87.9	88.1	87.8	87.4	86.9	87.1	0.2	0.2
Non-residential property and other purposes	number (000's)	113.2	115.6	128.5	137.3	146.9	139.5	-7.4	-5.0
	volume (CZK bn)	410.2	465.8	685.0	770.8	800.9	839.0	38.1	4.8
	share on volume (%)	27.4	28.2	34.5	35.3	33.5	33.4	-0.1	-0.2
	number (%)	12.1	11.9	12.2	12.6	13.1	12.9	-0.2	-1.4
Total	number (000's)	937.4	974.0	1,049.3	1,093.9	1,122.2	1,081.6	-40.6	-3.6
	volume (CZK bn)	1,498.5	1,651.6	1,986.1	2,184.1	2,390.0	2,509.7	119.6	5.0

Source: CNB – ARAD, MoF calculations

The share of non-performing mortgage loans in total (i.e. residential and non-residential) mortgage loans fell by 0.3 pp to 1.4%, i.e. to the lowest level in the reporting period, on a par with 2018 (Table 5.10). The dominant segment of mortgage loans granted to the public for housing also recorded its lowest level (0.6%) for the reporting period, reflecting year-on-year growth of around 5% in the total volume of these loans and a 19% drop in the corresponding non-performing loans.

Table 5.10: Mortgage loans (ML) by categorisation

As at 31 Dec (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Total outstanding ML	1,498.5	1,651.6	1,986.1	2,184.1	2,390.0	2,509.7	119.6	5.0
of which to private individuals for residential housing	1,035.6	1,131.4	1,236.3	1,342.9	1,507.2	1,579.5	72.3	4.8
Total non-performing ML	28.4	23.7	33.6	44.0	41.5	35.5	-6.0	-14.5
of which to private individuals for residential housing	14.5	13.0	11.4	11.9	11.1	9.0	-2.2	-19.4
Share of non-performing ML (%)	1.9	1.4	1.7	2.0	1.7	1.4	-0.3	-18.6
of which to private individuals for residential housing	1.4	1.2	0.9	0.9	0.7	0.6	-0.2	-23.1

Source: CNB – ARAD, MoF calculations

5.7 Building Savings Banks

In 2022, building savings banks recorded the highest number of newly concluded building savings contracts in the reporting period (i.e. since 2017), amounting to 486.5 thousand contracts, after year-on-year growth of approximately 8%. Although the average target value was down by 22.2% year on year to CZK 629.1 thousand,

[29] The general public, i.e. households less trades and owners' associations of housing units, account for about 96% of the volume of bank loans to households. Of the total volume of CZK 2,047.5 billion in loans to the public, mortgage loans accounted for 77%.

this was still the second highest value for the reporting period (Table 5.11). The number of newly increased contracts,[30] i.e. 85.7 thousand, was the highest recorded in the reporting period, although the average rise fell to its lowest level, CZK 156.7 thousand.

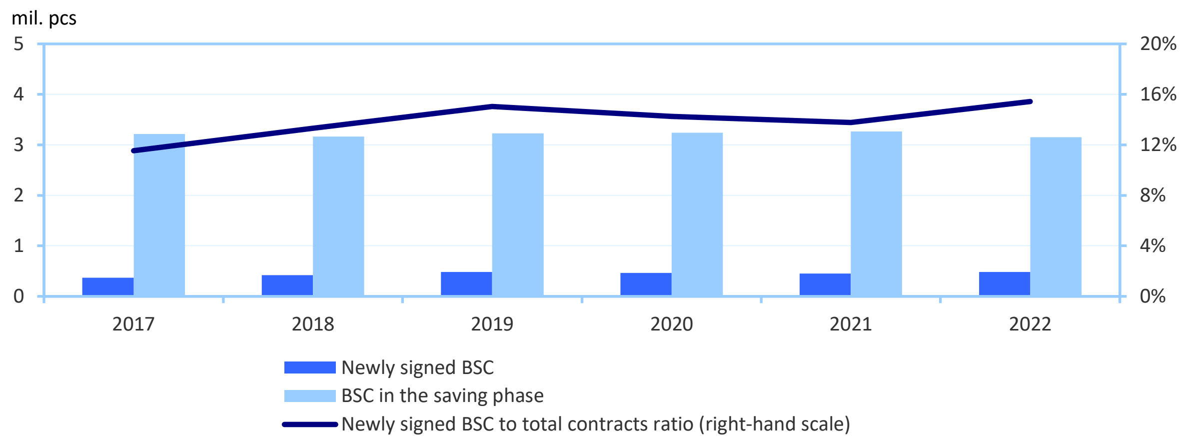
Table 5.11: Main indicators of building savings bank sector – savings

As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Newly signed contracts (000's)	370.7	422.0	485.2	461.9	449.9	486.5	36.6	8.1
Average target value (CZK thousands)[31]	396.5	470.1	430.5	455.9	808.7	629.1	-179.6	-22.2
Newly increased contracts (000's)	55.7	64.3	60.3	57.8	70.5	85.7	15.2	21.5
Average increase (CZK thousands)[31]	214.8	343.6	333.0	271.4	170.0	156.7	-13.3	-7.8
Contracts in the saving phase (000's)	3,212.4	3,166.8	3,226.7	3,242.7	3,265.8	3,152.0	-113.8	-3.5
Savings (CZK bn)	358.9	355.0	359.7	362.7	366.3	334.7	-31.6	-8.6
Average saved amount (CZK thousands)	111.7	112.1	111.5	111.8	112.1	106.2	-6.0	-5.3
Share of household savings in the building savings banks on total household savings (%)	11.6	12.9	12.4	11.2	10.7	9.2	-1.5	-14.0
State contributions paid (CZK bn)	3.9	3.9	4.0	4.1	4.2	4.3	0.1	2.1

Source: Building savings banks, MoF, CNB – ARAD, MoF calculations

After three years of moderate growth, the total number of contracts in the savings phase decreased by 113.8 thousand year on year to 3.2 million contracts (Graph 5.9), interrupting the upward trend begun in 2019, when the total number of contracts increased year on year for the first time after 15 years of continuous decline. At 15.4%, the share of newly concluded contracts in the total number of contracts in the savings phase was 1.8 pp above the average for the reporting period.

Graph 5.9: Number of building savings contracts (BSC)



Source: Building savings banks, MoF, MoF calculations

In terms of changes in the total savings, the upward trend that began in 2019 was also interrupted. In 2022, this amount decreased from its peak in 2021 by 8.6% year on year, falling to CZK 334.7 billion, which was the lowest recorded for the reporting period. The average amount saved also stooped to its lowest level, CZK 106.2 thousand, having fallen by CZK 6.0 thousand year on year. The share of households' savings with building savings banks in their total savings with credit institutions went down by 1.5 pp to the lowest level recorded in the history of building savings schemes, i.e. to 9.2%. In 2022, the state paid out the state contribution of CZK 4.3 billion, a modest increase of approximately 2% (Table 5.11).

30 A building savings contract is concluded for a specific target amount, i.e. the sum of deposits and state support (including interest) and the building savings loan. The target amount is increased mainly to adapt the contract to financing needs when the client applies for a building savings loan.

31 Private individuals.

In terms of lending activity, building savings banks granted the lowest volume of new loans on record in the reporting period, CZK 53.4 billion, corresponding to a 51% year-on-year decline, though this was partly due to the effect of the high comparative base in 2021 (Table 5.12). The number of new loans decreased by almost a quarter to 51.5 thousand, and the average amount of a new loan thus came to CZK 1,037.3 thousand. This is around 36% less than the all-time high of CZK 1.6 million recorded in 2021. Of the new loans, 97.9% were bridging loans, which was 1.3 pp lower than the average for the reporting period (99.2%).

Following a 7% year-on-year growth rate, the total volume of loans hit an all-time high of CZK 342.0 billion. The average amount of an outstanding loan was also at a record high, CZK 718.5 thousand, in the wake of a 10% year-on-year increase.

The ratio of loans to savings continued to grow steadily. With a decline of around 9% in the total savings, coupled with strong growth of around 7% in the total volume of loans, this resulted in a substantial increase in the ratio by 15.0 pp year on year to 102.2% in 2022, i.e. the highest ratio in the history of building savings schemes. Building savings banks thus made maximum use of participants' savings to provide loans.[32]

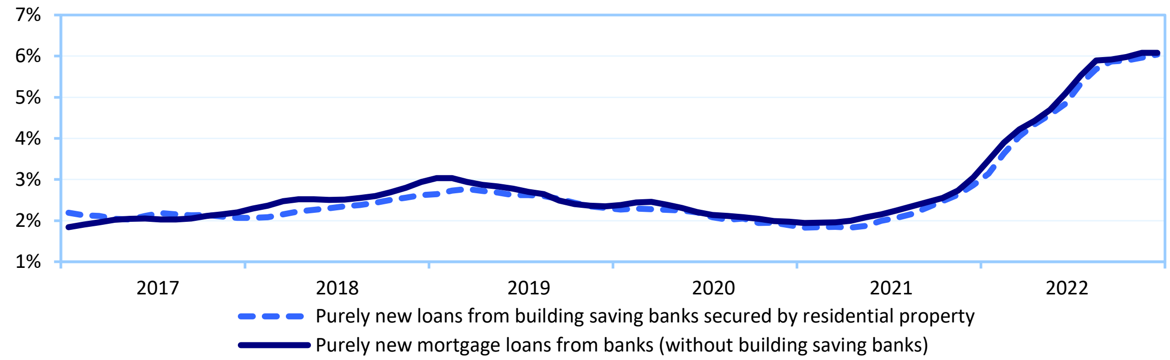
Table 5.12: Main indicators of building savings bank sector – loans

As at 31 Dec		2017	2018	2019	2020	2021	2022	Year-on-year change	
								Abs.	(%)
New loans	volume (CZK bn)	55.3	67.4	47.8	65.4	109.8	53.4	-56.4	-51.3
	contracts (000's)	72.7	73.0	54.3	55.0	68.2	51.5	-16.6	-24.4
	average (CZK thousands)	761.0	923.8	879.5	1,188.5	1,611.0	1,037.3	-573.7	-35.6
Total loans	volume (CZK bn)	245.7	262.9	278.1	293.5	319.3	342.0	22.6	7.1
	contracts (000's)	613.0	588.2	555.4	520.3	490.7	475.9	-14.8	-3.0
	average (CZK thousands)	400.8	447.1	500.8	564.0	650.7	718.5	67.8	10.4
Loans-to-savings ratio (%)		68.5	74.1	77.3	80.9	87.2	102.2	15.0	17.2

Source: Building savings banks, MoF, MoF calculations

In 2022, building savings banks' interest rates on loans secured by residential property continued to compete with commercial banks' interest rates on mortgage loans. Savings banks' rates were an average of 0.15 pp lower each month in 2022 (Graph 5.10). The smallest spread in rates, of around 0.01 pp, was observed in December, while from the perspective of applicants, rates from building savings banks were at their most favourable in January 2022, when they were 0.33 pp lower than commercial banks' average mortgage rates.

Graph 5.10: Interest rates on purely new mortgage loans[33] for residential housing purchase



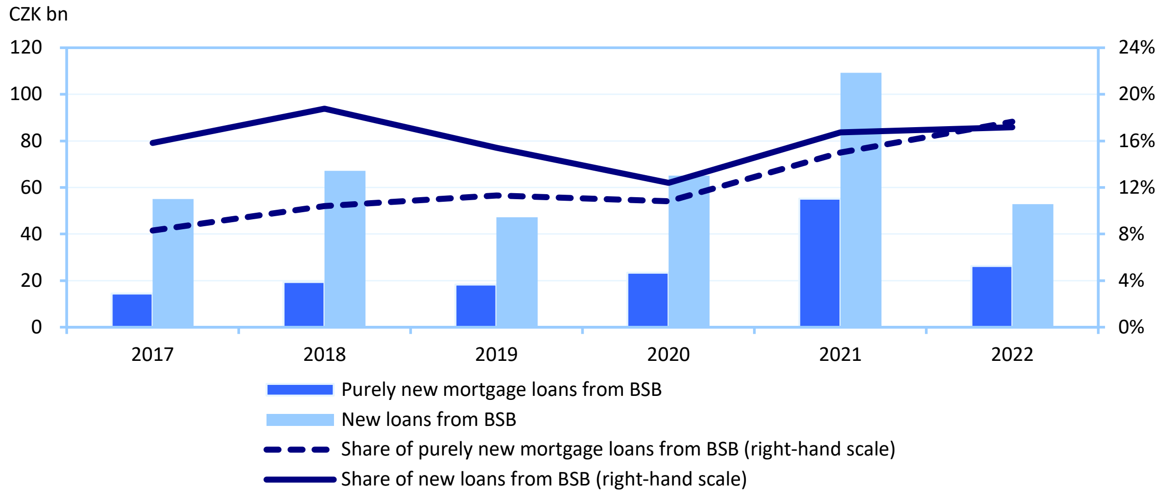
Source: CNB – ARAD

In the reporting period, building savings banks also recorded their highest-ever share of almost 18% of the market in newly originated mortgage loans, albeit in a situation of declining overall momentum on the mortgage front (see Chapter 5.6). The share of new loans from savings banks in total new housing loans stood at 17.2%, the second highest in the reporting period (Graph 5.11).

32 In a building savings system, participants' savings are the primary source of loan funding. In 2022, comparing the average amount of a new loan to the average amount of savings, there were nine saving (or "friendly") clients for every loan applicant.

33 Mortgage loans from banks, or loans under building savings schemes (including bridging loans) secured by real estate, both new and increased, not including refinancing and refixation.

Graph 5.11: Shares of new loans from building savings banks (BSB) on the loans for the house purchase



Source: Building savings banks, MoF, CNB – ARAD, MoF calculations

More detailed information about the building savings bank sector is published quarterly on the MoF's website at www.mfcr.cz (refer also to Table A2.2 in Appendix 2).

5.8 Credit Unions

The total balance sheet of the credit union sector at the end of 2022 increased year on year for the first time since 2017, rising by CZK 0.4 billion to CZK 9.4 billion, but, as in the previous three years, this still only accounted for 0.1% of the assets of all credit institutions.[34] Compared to the end of 2017, the sector's total assets decreased by CZK 13.6 billion, mainly due to the transformation of the then largest credit union, Moravský Peněžní Ústav, into a bank at the beginning of 2019. This transformation also had sizeable repercussions in terms of a decline in the sector's loan and deposit volumes (Graph 5.12). Nevertheless, in 2022, the volume of loans increased year on year for the first time in the reporting period (by 21.7% to CZK 7.1 billion), while the deposit-to-loan ratio fell by 18.7 pp year on year to 105.2%, the lowest value in the reporting period, reflecting the lower rate of growth in deposits (by 3.4% to CZK 7.5 billion) (Table 5.13).

Table 5.13: Selected indicators of the credit union sector

As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Total assets (CZK bn)	23.1	20.2	10.2	10.0	9.1	9.4	0.4	4.0
Loans and receivables (CZK bn)	14.8	14.7	7.3	6.4	5.8	7.1	1.3	21.7
Deposits (CZK bn)	19.0	15.9	8.1	8.1	7.2	7.5	0.2	3.4
Deposit-to-loan ratio (%)	127.8	108.4	111.5	126.5	123.9	105.2	-18.7	-15.1
NPL ratio (%)[35]	22.1	28.1	24.1	28.9	26.1	24.5	-1.6	-6.1
Share of quickly liquid assets to total assets (%)	30.1	30.1	51.4	49.1	46.0	44.4	-1.6	-3.5
Total capital ratio (%)	18.9	21.1	29.2	26.7	24.5	24.9	0.4	1.5
Profit or (-) loss before tax (CZK mn)	-76.0	-52.9	-30.3	-109.6	45.8	104.8	59.0	129.0
Return on Tier 1 capital (%)	-2.3	-1.0	-1.7	-6.5	2.4	5.8	3.4	139.3
Number of members of credit unions (000's)	30.9	22.6	12.2	12.0	11.4	11.8	0.3	2.9

Source: CNB – ARAD, MoF calculations

34 The total assets reported for the credit institution sector (i.e. banks including building savings banks and credit unions) at the end of 2022 were CZK 8.9 trillion.

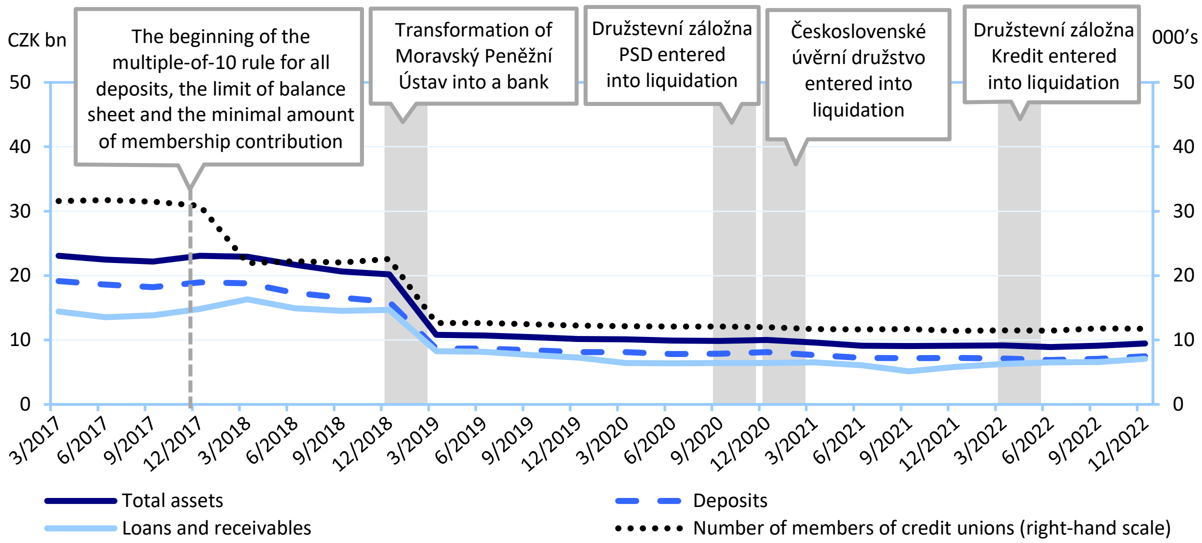
35 The ratio of non-performing loans and receivables is relative to the total exposure of loans and receivables other than those held for trading, measured by gross book value, excluding exposures to the central bank. Loans and receivables, expressed in the table in CZK billions, are presented at their net book value, i.e. loans and receivables measured at amortised cost are presented at their value adjusted for provisions and accumulated depreciation.

From the point of view of selected ratios relating to the financial situation in the credit union sector, the ratio of non-performing loans and receivables fell year on year by 1.6 pp to 24.5%. Nevertheless, the overall non-performing loans ratio in the credit union sector remained much higher than in the banking sector (see Chapter 5.2). The share of quickly liquid assets to total assets decreased by 1.6 pp to 44.4%, but was still slightly above average over the reporting period since 2017. The total capital ratio rose by a slight 0.4 pp to 24.9% after two previous year-on-year declines in 2020 and 2021. However, the increase in risk exposure and the associated capital requirements meant that credit unions' overall capital surplus was slightly lower than in 2021.

The credit union sector recorded a profit before tax for the second consecutive year in 2022. In fact, the profit of CZK 104.8 million was roughly double the amount achieved in 2021, leading to a significant increase in return on equity by 3.4 pp to 5.8%. The increase in profit was driven primarily by a 79.3% year-on-year gain in net interest income.

Although there was a slight decline in the membership base in the second quarter of 2022 following the voluntary entry of Družstevní záložna Kredit into liquidation (Graph 5.12), the number of credit union members increased year on year for the first time in the reporting period, growing by 336 members to 11.8 thousand.

Graph 5.12: Total assets, deposits, loans and receivables and number of members of credit unions



Source: CNB – ARAD

5.9 Non-Bank Financing Providers

Non-bank financing providers offer alternative ways of debt financing.[36] However, at the end of 2022, much like in 2021, the total assets of these providers compared to the total balance sheet of the banking sector[37] amounted to just 4.9%. This is despite the fact that the sector's total balance sheet climbed to its highest level in the reporting period at the end of 2022, rising by 4.7% year on year to CZK 440.5 billion (Table 5.14), thus offsetting the decline recorded in 2020 after two years and slightly surpassing the level observed in 2019.

The sector is split into three sub-segments, whose shares of the sector's total assets have been relatively stable over the long term, with financial leasing companies holding the biggest share (77%). This segment recorded a year-on-year increase in assets by 5.0% to CZK 339.5 billion. In 2022, growth was also registered by other sub-segments, namely other lending companies by 3.9% to CZK 69.0 billion and factoring and forfaiting companies by 3.3% to CZK 32.0 billion. In the case of factoring and forfaiting companies, although this constituted considerably lower (by 22.0 pp) annual growth than in 2021, it did confirm the reversal of the decline in the volume of assets in this sub-segment and the continuation of its upward trajectory that started in 2021.

36 The product portfolio of non-bank financing providers partly corresponds to the structure of bank loans (instalment sales, any-purpose loans, credit cards, revolving products) but they also have their own specific products or distribution models (leasing, peer-to-peer loans, reverse mortgages and various forms of online short-term borrowings). However, these entities are often linked by ownership and financially with the banking sector through financial groups.

37 The banking sector's assets in 2022 were CZK 8.9 trillion.

Table 5.14: Structure of assets by segments in the non-bank financing provider sector

As at 31 Dec		2017	2018	2019	2020	2021	2022	Year-on-year change	
								Abs.	(%)
Assets (CZK bn)	Financial leasing companies	322.7	335.1	345.3	327.9	323.4	339.5	16.1	5.0
	Other lending companies	63.9	66.2	66.7	66.7	66.4	69.0	2.6	3.9
	Factoring and forfaiting companies	25.3	27.2	25.9	24.7	31.0	32.0	1.0	3.3
Share of the sector's assets (%)	Financial leasing companies	78.3	78.2	78.8	78.2	76.9	77.1	0.2	0.3
	Other lending companies	15.5	15.5	15.2	15.9	15.8	15.7	-0.1	-0.7
	Factoring and forfaiting companies	6.1	6.4	5.9	5.9	7.4	7.3	-0.1	-1.3
Total assets (CZK bn)		411.9	428.6	437.9	419.3	420.8	440.5	19.7	4.7

Source: CNB – ARAD, MoF calculations

Similarly, the sector's overall lending (Table 5.15) reached its highest level for the reporting period at the end of 2022, increasing by 7.2% year on year to CZK 348.6 billion and thus surpassing its previous reporting-period high of 5.8% in 2019. Of this volume, loans to non-financial corporations accounted for CZK 272.9 billion and loans to households CZK 65.9 billion. Looking at the sub-segments of the non-bank financing provider sector, loans from financial leasing companies recorded the highest year-on-year growth, at 8%, while the volume of loans from other lending companies increased by 5.5% and from factoring and forfaiting companies by 3.5%.

Table 5.15: Structure of loans by segments in the non-bank financing provider sector

As at 31 Dec		2017	2018	2019	2020	2021	2022	Year-on-year change	
								Abs.	(%)
Loans (CZK bn)	Financial leasing companies	234.2	243.6	254.5	249.7	246.4	266.0	19.6	8.0
	Other lending companies	48.9	51.6	51.1	49.9	49.9	52.6	2.7	5.5
	Factoring and forfaiting companies	23.2	25.1	24.0	22.8	29.0	30.0	1.0	3.5
Share of the sector's loans (%)	Financial leasing companies	76.5	76.1	77.2	77.4	75.7	76.3	0.6	0.7
	Other lending companies	16.0	16.1	15.5	15.5	15.3	15.1	-0.2	-1.6
	Factoring and forfaiting companies	7.6	7.8	7.3	7.1	8.9	8.6	-0.3	-3.4
Total loans granted (CZK bn)		306.2	320.3	329.6	322.4	325.3	348.6	23.4	7.2

Source: CNB – ARAD, MoF calculations

5.10 Household Indebtedness

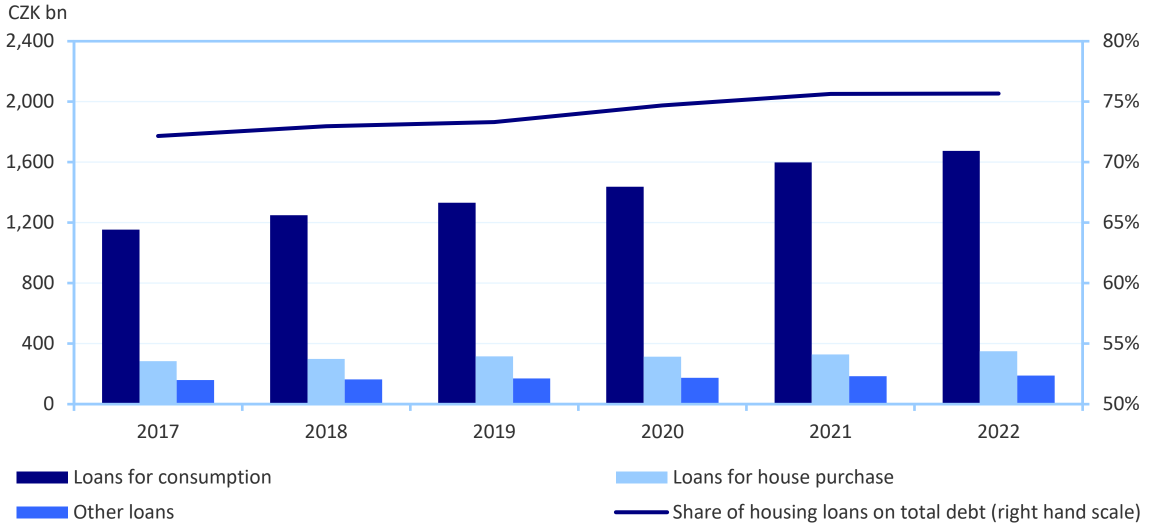
The share of households in total bank client loans fell slightly year on year (by 0.5 pp to 52.6%), but still remained close to its peak. Households have thus long been a key client sector for banks, and it would therefore be appropriate to take a broader view beyond their relationship with the banking sector.

Total household indebtedness to banks and non-bank financial institutions increased by CZK 100.6 billion to its highest ever level of CZK 2.2 trillion (Graph 5.13). The annual growth rate of total debt (4.8%) halved compared to 2021, and was thus below average rate for the reporting period (6.8%).

In terms of the structure of total indebtedness by purpose, housing loans[38] (almost CZK 1.7 trillion) have long predominated, followed by consumer loans (CZK 350.0 billion) and other loans (CZK 188.3 billion), which mainly include loans granted to self-employed persons for business purposes. The year-on-year growth rate of the volume of housing loans went down by a sizeable 6.2 pp to 4.8%, i.e. to a level much lower than the average growth rate for the reporting period (7.9%). The growth rate of the consumer credit volume was 1.0 pp higher than in 2021, standing at 6.1%. By contrast, the growth rate of the volume of so-called other loans (1.9%) dropped by 4.2 pp. The share of housing loans in total household indebtedness (75.7%) remained unchanged year on year in 2022, having risen markedly over the long term in previous years.

[38] These data differ from indicators in Chapter 5.6 as they include not only mortgage loans but also all loans provided by building savings banks and consumer loans. Another reason for the difference in data is inclusion of loans provided to households (i.e. private individuals, sole traders, associations of apartment owners and non-profit institutions serving households) by non-bank financing providers.

Graph 5.13: Total household indebtedness

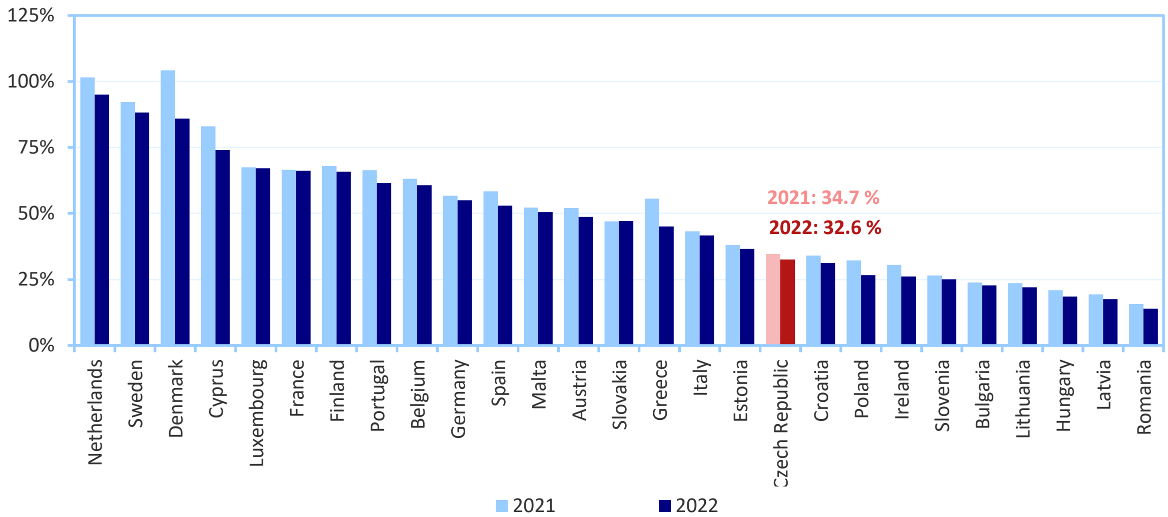


Source: CNB – ARAD, MoF calculations

Household indebtedness in the Czech Republic relative to GDP fell year on year by 2.1 pp to 32.6% of GDP.[39] Within the EU, all Member States experienced a decline in this indicator as a result of nominal GDP growth, with the exception of Slovakia, where the ratio remained broadly unchanged year on year (Graph 5.14). The largest year-on-year declines were observed in countries with persistently high levels of household indebtedness, i.e. Denmark (by 18.3 pp) and Cyprus (by 8.9 pp), as well as Greece (by 10.6 pp).

The level of indebtedness in the Czech Republic remained relatively low compared to the rest of the EU, but the increase over the reporting period since 2017 (1.3 pp) was relatively high compared to the rest of the EU. Only seven countries recorded a higher value than the Czech Republic, with Luxembourg (3.9 pp), Slovakia (6.2 pp) and France (7.7 pp) posting the largest increases. A number of countries, on the other hand, experienced significant declines during the period, notably Cyprus (30.8 pp) Denmark (27.7 pp) and Ireland (20.7 pp).

Graph 5.14: Volume of household indebtedness in countries in the EU relative to GDP



Source: ESRB

[39] The year-on-year development of this indicator has a limited interpretative value in the case of economies that use a currency other than the euro. In those cases the values may reflect a year-on-year volatility resulting from the fluctuation of the exchange rate of the national currency in relation to the euro.

6 CAPITAL MARKET

6.1 Developments in Global Capital Markets

Global capital market developments were mainly the result of the monetary policy tightening by major global central banks in response to rising inflation (see Chapter 1) and, in some geographic areas, uncertainty stemming from the implications of the military conflict in Ukraine.

Almost all of the stock market indices monitored (Table 6.1) showed a year-on-year decline in 2022. The MSCI ACWI global index declined by 19.5% year on year, driven down mainly by a 19.4% decline in the main US equity index, the S&P 500, and in particular by a drop in the prices of technology stocks included in the index.

In the euro area, the Euro Stoxx 50 stock index also fell, albeit less intensely (by 9.6%), as did the main German stock index, the DAX, by 12.3%. The lower rate of decline of share prices in Europe compared to the US can be attributed to the depreciation of the euro against the dollar and to the different composition of the index, with a lower representation of technology stocks. Asian indices did not fare well either, with the SSE Index in China down 15.1% and Japan's Nikkei 225 down 9.4%. Only the main index in the United Kingdom, the FTSE 100, posted a slight increase, rising by 0.9%. In this case, however, the depreciation of the British pound had a negative effect from the perspective of global investors.

In Central Europe, stock indices recorded rates of decline similar to those of the global indices, i.e. within a range of 14% to 19%, as the entire region experienced a sharp decline in stock prices in the first quarter of 2022 due to the uncertainty brought about by the military conflict in Ukraine.

Table 6.1: Annual performance of the global stock index and indices in selected countries

As at 31 Dec (%)	Index	2017	2018	2019	2020	2021	2022
World	MSCI ACWI	21.6	-10.4	25.2	14.1	20.1	-19.5
USA	S&P 500	19.4	-6.2	28.9	16.3	26.9	-19.4
China	SSE Index	6.6	-24.6	22.3	13.9	4.8	-15.1
Japan	Nikkei 225	19.1	-12.1	18.2	16.0	4.9	-9.4
United Kingdom	FTSE 100	7.6	-12.5	12.1	-14.3	14.3	0.9
Euro area	**Euro Stoxx 50**	**6.5**	**-14.3**	**24.8**	**-5.1**	**21.0**	**-9.6**
Germany	DAX	12.5	-18.3	25.5	3.5	15.8	-12.3
Poland	WIG	23.2	-9.5	0.2	-1.4	21.5	-17.1
Austria	ATX	29.1	-19.7	16.1	-12.8	38.9	-19.0
Czech Republic	**PX**	**17.0**	**-8.5**	**13.1**	**-7.9**	**38.8**	**-15.7**
Hungary	BUX	23.0	-0.6	17.7	-8.6	20.5	-13.7
Slovakia	SAX	2.2	2.1	5.6	-1.7	15.1	-15.8

Source: Market organisers, MoF calculations

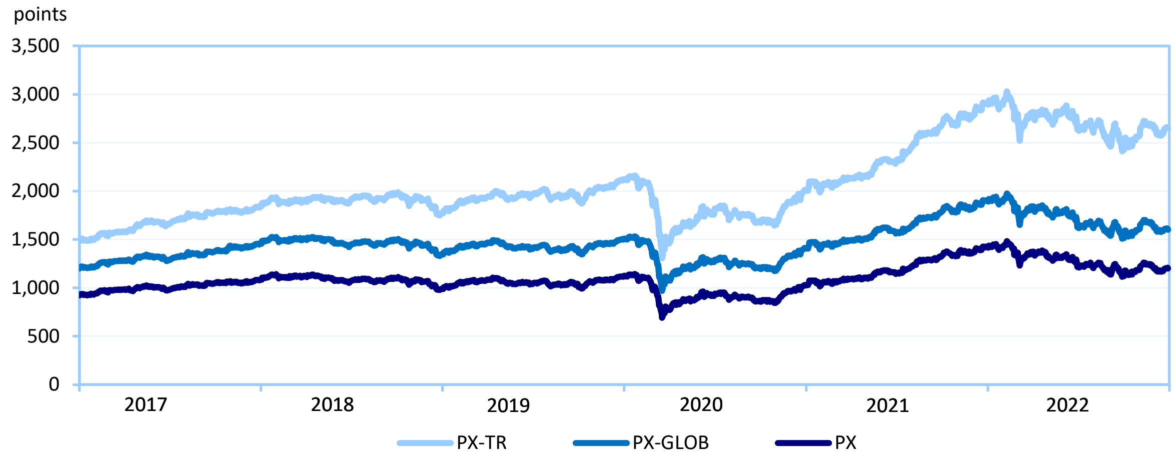
Note: The figures show year-on-year changes in the closing prices of the given indices.

6.2 Regulated and OTC Market in the Czech Republic

In 2022, the main stock index on the Prague Stock Exchange (PSE), the PX, racked up its steepest year-on-year decline since 2011, down 15.7% to 1,201.7 points. Similarly, the PX-GLOB index, which includes all stocks traded on the PSE, declined by 15.8% year on year. The last of the monitored PSE indices, which takes into account not only capital appreciation but also other, mainly dividend, yields, i.e. the PX-TR index, recorded a more favourable result compared to the main PX index, with a year-on-year decline of 9.1%. Despite these falls, over the reporting period since 2017 (Graph 6.1) the PX index increased by 25.7% and the PX-TR index by 78.9%.

The overall capitalisation of Prague Stock Exchange shares rose by 5.9% year on year. A comparison of developments in the capitalisation of the main domestic issuers is made difficult by the launch, in May 2018, of trading in selected foreign equity titles in the Free Market segment, which increased many hundredfold in size. The Free Market segment accounted for more than 90% of the exchange's capitalisation. In order to monitor the capitalisation of domestic or more heavily traded stocks, it is therefore preferable to track the capitalisation of all other segments (i.e. excluding the Free Market segment), which fell by 23.1%.

Graph 6.1: Daily closing values of the PSE indices



Source: PSE

The total volume of stock exchange trades on the PSE (Table 6.2) increased by 17.0% year on year, again mainly due to the growth in the volume of shares, despite the decline in their prices. The volume of trades in corporate bonds fell by 10.3% year on year, whereas other assets grew by 21.7%. The share of equities in the total trading volume increased by 1.0 pp year on year to 91.9%. During the reporting period, the total volume of trades grew by almost 25%, driven in particular by a nearly 20% rise in the volume of equity trades.

Table 6.2: Volume of exchange trades on the PSE

Annual (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Shares	138.8	142.6	108.8	125.3	140.5	166.2	25.7	18.3
Corporate debt securities	6.2	9.2	11.9	8.6	7.8	7.0	-0.8	-10.3
Other assets[40]	0.4	0.3	0.3	0.5	6.4	7.7	1.4	21.7
Total	145.3	152.0	120.9	134.4	154.6	180.9	26.3	17.0

Source: PSE, MoF calculations

The number of registered issues traded on the PSE nudged up year on year by 6 to 298 (Table 6.3), thus hitting the highest level in the reporting period. This development was mainly fuelled by continued growth in the number of traded equities and structured products. The slight decline in the number of investment fund instruments had the opposite effect. The number of bonds traded remained unchanged as the rise in the number of public and corporate sector bonds coincided with a fall in the number of financial sector bonds.

Table 6.3: Number of registered issues on the PSE

As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Shares	23	53	54	55	55	59	4	7.3
Debt securities	116	112	118	105	110	110	0	0.0
of which: public sector	25	24	21	24	25	28	3	12.0
corporate sector	54	55	63	51	60	61	1	1.7
financial sector	37	33	34	30	25	21	-4	-16.0
Structured products	61	72	84	73	91	95	4	4.4
Investment funds	32	38	33	32	36	34	-2	-5.6
Other	-	3	3	-	-	-	-	-
Total	232	278	292	265	292	298	6	2.1

Source: PSE, MoF calculations

The volume of trades (Table 6.4) within the RM-S system (RM-SYSTÉM, Česká burza cenných papírů a.s.), which focuses mainly on retail investors, has long been lower than that on the PSE. However, the year-on-year growth

[40] These include financial sector bonds, structured products (investment certificates and warrants) and investment funds.

rate of the trading volume on the RM-S (33.0%) was much higher than in the case of the PSE; CZK 6.5 billion worth of shares and bonds were traded on this market. Despite the significant year-on-year growth rate in the volume of bond trading (by a factor of 13.6), its importance remained entirely marginal.

Table 6.4: Volume of exchange trades on the RM-System

Annual (CZK mn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Shares	2,905.2	2,589.8	2,183.7	4,557.3	4,823.5	6,417.6	1,594.1	33.0
Debt securities	8.8	3.0	6.0	0.3	0.5	75.2	74.6	13,601.5
Total	2,914.0	2,592.8	2,189.7	4,557.6	4,824.1	6,492.7	1,668.7	34.6

Source: RM-S, MoF calculations

The volume of over-the-counter transactions settled within the Central Securities Depository (CSD) has long exceeded by far the activity of exchange trades (Table 6.5).[41] With the exception of a decline in 2018, the year-on-year trend has exhibited growth throughout the reporting period. In 2022, it came to 13.9%, the highest trading volume over that period.

Table 6.5: Volume of OTC transactions within CSDP

Annual (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Total	5,180.7	3,202.7	4,365.3	4,897.7	9,125.1	10,389.4	1,264.3	13.9

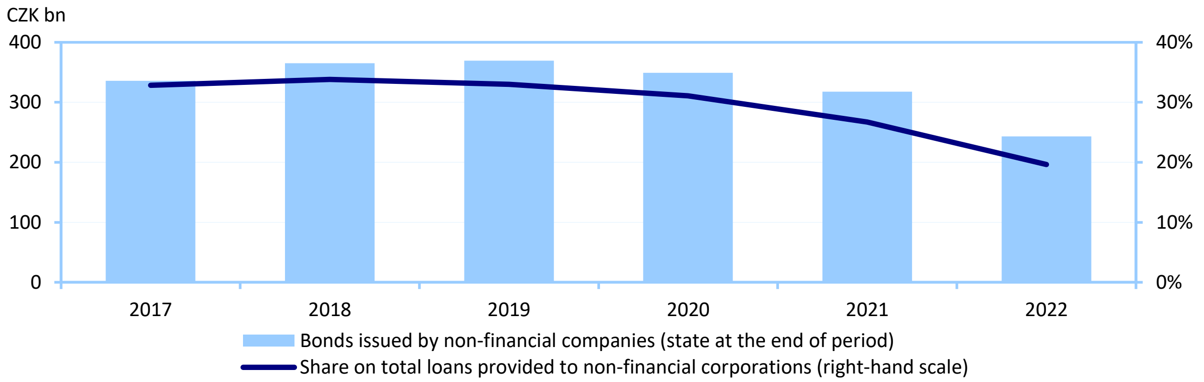
Source: CSDP, MoF calculations

6.3 Bond Financing of Non-Financial Corporations

Bonds are a complementary source of financing for non-financial corporations, i.e. manufacturing and trading companies, and an important component of the capital market. The total volume of bonds issued by non-financial corporations declined year on year for the third year in a row and stood at CZK 242.9 billion, i.e. by far the lowest level over the reporting period since 2017 (Graph 6.2), with the annual rate of decline accelerating to 23.5%. This development can be attributed to the persistent effect of a combination of factors, including the year-on-year rise in interest rates and economic uncertainty associated with the effects of rising energy prices and the military conflict in Ukraine. Long-term bonds have long been dominant, this time accounting for 99.7% of the total volume.

For the sake of comparison, the total volume of loans granted by banks to non-financial corporations amounted to CZK 1.2 trillion at the end of 2022 (see Chapter 5.5). Financing equivalent to almost one fifth of the total volume of loans granted by the domestic banking sector were therefore provided through bonds. The decline in the value of this ratio over the reporting period since the end of 2017 (by 13.2 pp) was caused by both a 21.1% increase in bank loans and a 27.6% decline in the volume outstanding of bonds .

Graph 6.2: Non-financial corporations bonds – volume outstanding



Source: CNB – ARAD, MoF calculations

[41] As their reporting within the framework of the Prague Stock Exchange came to an end, over-the-counter transactions are now monitored more broadly at the Central Securities Depository.

6.4 Non-Bank Investment Firms and Asset Management

The volume of non-bank securities dealers' assets increased by 8.3% to CZK 27.2 billion[42] (Table 6.6). Of this, the volume of domestic non-bank securities dealers grew at a similar rate and accounted for about 94% of total assets in this sector. The volume of assets held by branches of foreign entities also increased, albeit more slowly (by 5.7%) to CZK 1.6 billion.

Table 6.6: Assets of the non-bank investment firms

As at 31 Dec (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Domestic investment firms	24.1	23.4	25.8	28.6	23.4	25.6	2.2	8.4
Branches of foreign investment firms	0.5	0.3	0.5	1.0	1.5	1.6	0.1	5.7
Total	24.6	23.7	26.3	29.6	24.9	27.2	2.3	8.3

Source: CNB – ARAD, MoF calculations

The volume of assets entrusted to the management of members of the Capital Market Association of the Czech Republic (AKAT) increased by 4.3% year on year to a total of CZK 1.9 trillion (Table 6.7); the average growth rate for the reporting period since 2017 was approximately half as high again (almost 7%). Industry concentration declined slightly year on year. The three largest asset managers, who are also members of the AKAT, managed 54.5% of total assets. The five most significant entities were managing 71.3% of the total assets.

Table 6.7: Volume of assets under management by AKAT members

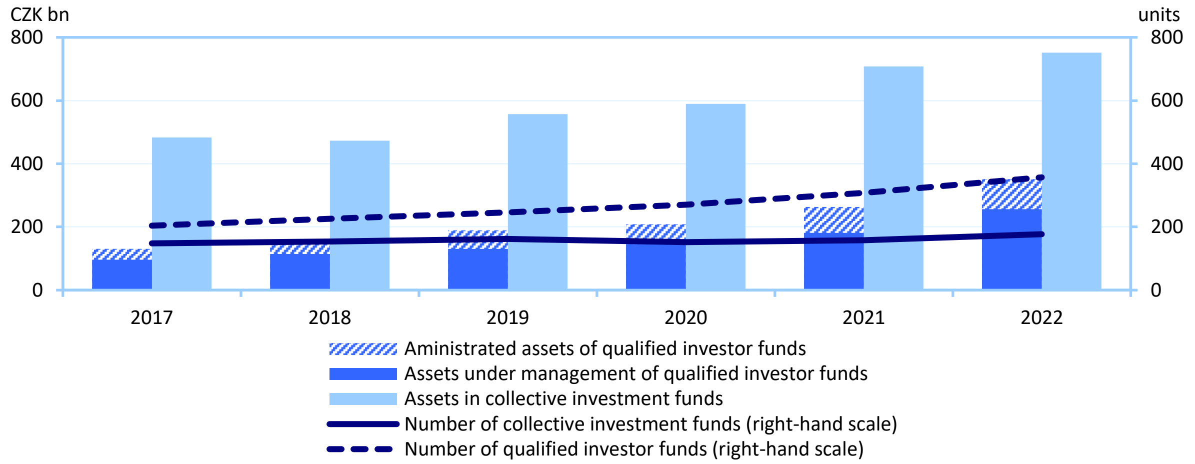
As at 31 Dec (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Total	1,378.1	1,368.1	1,565.0	1,655.8	1,831.7	1,910.4	78.7	4.3

Source: AKAT, MoF calculations

6.5 Investment Funds

The volume of assets in investment funds, i.e. in collective investment funds and qualified investor funds,[43] increased by 13.6% to CZK 1,103.0 billion, which was the highest level since 2017 (Graph 6.3), despite the prevailing decline in equity prices on global financial markets and the simultaneous decline in bond market prices caused by the rise in central bank interest rates and, consequently, market yields.

Graph 6.3: Structure of investment funds



Source: AKAT, CNB – ARAD

[42] The CNB adjusted the scope of disclosure of information on the sector. This was first reflected in the Report on Financial Market Developments in 2019. Asset volumes are currently disclosed only for non-bank investment firms.

[43] Collective investment funds collect funds from the public by means of investment fund share subscriptions or by issuing shares. They engage in joint investment or asset management. Qualified investor funds collect funds from professional clients to the extent of transactions or investment services relating to the securities on offer.

The volume of funds in collective investment funds rose by 6.2% year on year to CZK 751.6 billion, the highest recorded in the reporting period (Table 6.8). Two thirds of this volume consisted of domestic funds (CZK 499.0 billion) and one third of foreign funds (CZK 252.6 billion). Assets in domestic funds grew by 13.5% year on year, while foreign funds, on the other hand, posted a decline of 5.7% after the previous three years of growth. Nevertheless, this was the second highest value for the reporting period, on the back of 25% growth in 2021. However, in the reporting period since 2017, the volume of assets in foreign funds grew at a much lower average annual rate (1.9%) than in domestic funds (5.6%).

Differences between domestic and foreign funds persisted in 2022 in terms of the structure of mutual fund allocations – by type of fund (Table 6.8). At the same time, the shares of the domestic and foreign funds changed more markedly than in previous years. As regards domestic funds, there was a significant increase in the share of domestic bond funds (by 14.6 pp to 36.8%), which thus outperformed the previously dominant mixed funds by 2.8 pp, whose representation, on the contrary, fell by 12.0 pp year on year to 34.0%. The share of equity funds fell by 3.5 pp year on year to 16.3%. Real estate funds maintained their continuous growth, reporting their highest share (12%) since 2017. Higher returns on short-term debt assets triggered a resurgence of investor interest in money market funds, both domestic and foreign. Among foreign funds, the share of equity funds increased further to 41.6%, i.e. by 1.5 pp year on year and by 14.6 pp since 2017. The proportion of equity funds has therefore grown continuously, at the expense of funds with a generally lower percentage of the more dynamic component, whose share – compared to 2017 – decreased by 7.1 pp in the case of structured funds, by 5.6 pp in the case of mixed funds and by 3.1 pp in the case of bond funds. The share of mixed funds also contracted year on year, down by 2.5 pp to 29.4%, while the share of bond funds rose by 0.9 pp to 20.3%, reversing the previous year-on-year decline in their share.

Table 6.8: Assets in individual types of collective investment funds by domicile

As at 31 Dec (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Domestic	**280.2**	**284.0**	**351.3**	**375.0**	**439.7**	**499.0**	**59.2**	**13.5**
Bond	71.1	60.1	106.6	102.0	97.6	183.4	85.8	87.9
Equity	44.3	46.2	51.2	66.5	87.0	81.4	-5.7	-6.5
Structured	0.2	0.0	0.7	0.7	0.7	0.7	0.0	3.4
Mixed	117.6	116.3	124.6	163.3	202.3	169.7	-32.5	-16.1
Funds of funds	24.1	24.8	30.0	0.0	0.0	0.0	0.0	-
Money market	0.4	6.8	0.0	0.0	0.0	3.6	3.6	-
Real estate	22.4	29.8	38.1	42.6	52.2	60.1	8.0	15.2
Foreign	**203.3**	**189.0**	**205.6**	**214.6**	**267.9**	**252.6**	**-15.3**	**-5.7**
Bond	47.6	39.6	45.7	49.1	51.8	51.3	-0.6	-1.1
Equity	55.0	53.7	64.3	73.6	107.4	105.1	-2.3	-2.1
Structured	26.7	24.0	23.8	20.5	19.2	15.2	-4.0	-20.9
Mixed	71.0	66.9	66.5	67.2	85.3	74.2	-11.1	-13.0
Funds of funds	0.3	0.3	0.3	0.0	0.0	0.0	0.0	-
Money market	2.2	4.1	4.5	3.5	2.8	4.8	2.0	73.4
Real estate	0.5	0.4	0.4	0.9	1.4	2.1	0.7	47.1
Total	**483.5**	**473.0**	**556.9**	**589.7**	**707.6**	**751.6**	**43.9**	**6.2**

Source: AKAT, MoF calculations

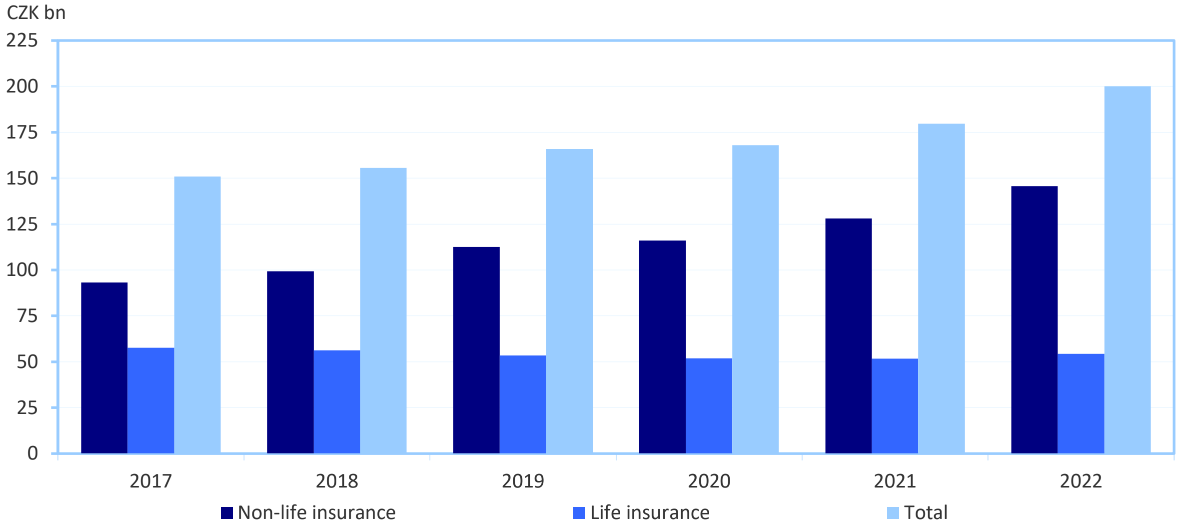
The volume of total assets in qualified investor funds went up by a substantial 33.3% year on year to CZK 351.5 billion, which was also the highest value for the reporting period. Of this, the volume of resources under management recorded a significant year-on-year increase of 41.7% to CZK 256.7 billion and the volume of assets under administration rose by 14.7% to CZK 94.8 billion. The higher momentum of qualified investor funds compared to collective investment funds saw their share in the total volume of assets in the investment fund sector grow to almost a third (31%), increasing by 4.7 pp year on year and by 10.6 pp since the end of 2017.

7 INSURANCE

7.1 Insurance Companies

In terms of gross premiums written, in 2022 the insurance sector confirmed the upward trend started in 2017. The overall year-on-year growth in premiums of 11.3% to CZK 200.1 billion (Graph 7.1) was, as in the previous years of the reporting period since 2017, driven mainly by growth in non-life insurance, which had risen by 13.9% to CZK 145.8 billion. The life insurance segment also made a positive contribution to overall growth, with the volume of premiums written registering a 5.0% increase to CZK 54.3 billion, of which CZK 8.4 billion was attributable to single-premium contracts. Life insurance thus broke the downward trend of previous years in the reporting period. The increase in premiums written in the non-life insurance segment was significantly driven by growth in premiums for fire and other property damage insurance (up 15.2%), motor vehicle liability (up 9.5%), and other motor vehicle insurance (up 15.0%). From the perspective of the total penetration ratio, there was no change in the year-on-year comparison in 2022, when, as in the previous year, this ratio stood at 2.9% of GDP, driven by growth in both GDP and the volume of premiums written.

Graph 7.1: Volume of gross premiums written



Source: CNB – ARAD

Although both life and non-life insurance segments recorded a year-on-year increase in gross premiums written, the more robust growth of the non-life insurance segment led to a change in the insurance market shares of both segments. At the end of 2022, the ratio was 74:26 in favour of the non-life segment, further widening the gap between the gross premiums written of the two insurance market segments. In the long-term, the trend of the non-life insurance segment's dominance on the Czech insurance market has been repeatedly reaffirmed. As such, the Czech insurance market is going in the opposite direction compared to the developed countries of Western Europe, where the life insurance segment dominates. The other Visegrad Four countries also reported a higher share of non-life insurance in the insurance market.[44]

In terms of the total number of insurance policies (Table 7.1), the life insurance segment recorded a 5.0% decline, thus resuming the downward trend in the number of policies that was interrupted in the reporting period in 2021. On the other hand, the number of newly concluded policies rose significantly by 38.8%.

The non-life insurance segment also showed a decline in the total number of insurance policies, albeit less intensively (by 1.1%), despite a significant 23.3% increase in the number of newly concluded policies. Thus, the number of new contracts approached the long-term average after a fall in 2020 and a subsequent slight increase in 2021.

The last main indicator, gross claims costs, increased year on year in both insurance segments and reached a total of CZK 117.0 billion, representing a year-on-year increase in costs of CZK 15.0 billion. In absolute terms,

[44] According to EIOPA statistics, the shares of non-life and life insurance in other European countries at the end of 2022 were as follows: France 38 : 62%; Germany 37 : 63%; Hungary 58 : 42%; Slovakia 57 : 43%; Poland 70 : 30%

both segments contributed almost equally to this rise, although the life insurance segment registered a higher annual growth rate (19.2%) than the non-life insurance segment (11.8%).

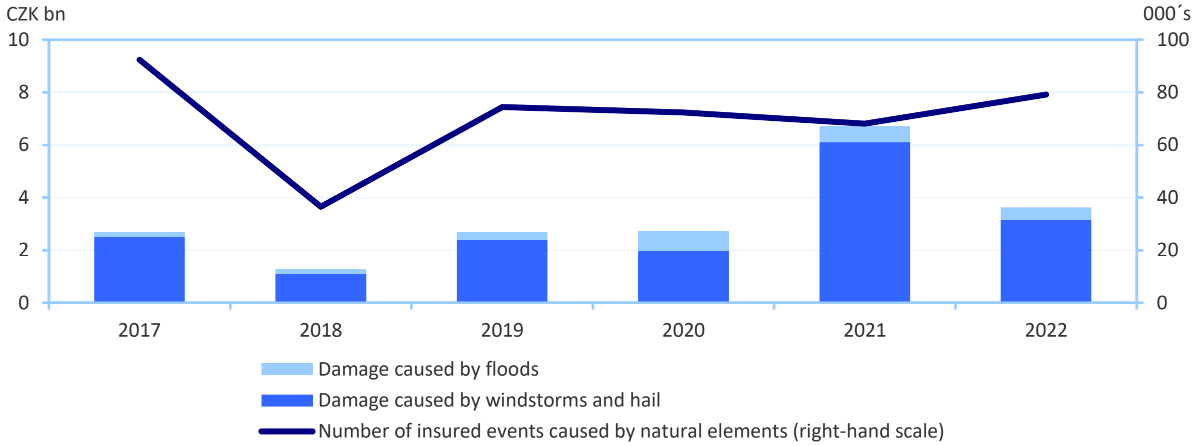
Table 7.1: Main indicators of the insurance market

As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Policies (000's)	27,945	28,789	28,514	28,363	30,391	29,839	-552	-1.8
of which: non-life insurance	22,080	23,031	23,144	23,098	24,838	24,565	-273	-1.1
life insurance	5,865	5,758	5,370	5,264	5,553	5,274	-279	-5.0
Newly concluded policies (000's)	12,006	13,138	12,651	9,584	10,181	12,629	2,448	24.0
of which: non-life insurance	11,372	12,516	12,108	9,120	9,682	11,936	2,254	23.3
life insurance	634	621	543	464	499	693	194	38.8
Total gross premiums written (CZK bn)	150.8	155.6	165.9	168.0	179.7	200.1	20.4	11.3
of which: non-life insurance	93.2	99.4	112.5	116.1	128.0	145.8	17.7	13.9
life insurance	57.6	56.2	53.4	51.8	51.7	54.3	2.6	5.0
Gross claim paid (CZK bn)	96.6	92.6	101.2	92.0	102.0	117.0	15.0	14.7
of which: non-life insurance	53.9	49.4	58.0	54.5	62.5	69.8	7.4	11.8
life insurance	42.6	43.2	43.2	37.5	39.6	47.2	7.6	19.2
Total insurance penetration (% GDP)	3.0	2.9	2.9	3.0	2.9	2.9	0.0	-

Source: CNB – ARAD, MoF calculations

Data from the Czech Insurance Association show that although the total number of loss events caused by the natural elements rose by 16.3% year on year, their total volume fell sharply by 46.0% to CZK 3.7 billion (Graph 7.2). This decrease in the volume of elemental damage was mainly due to a 48.3% reduction in the amount of windstorms and hail damage to a total of CZK 3.2 billion, which nevertheless represented the second highest level since 2013. A less significant item, with a share of 12.7%, was flood claims, which saw a year-on-year decrease in both volume (by 23.8%) and the number of related claims (by 29.6%).

Graph 7.2: Insured events caused by natural elements



Source: Czech Insurance Association, MoF calculations

The total balance-sheet of the insurance sector decreased by 6.1% year on year to CZK 492.7 billion (Table 7.2). The rate of decline in the most significant asset item, i.e. the volume of investments for which the policyholder does not bear the investment risk, was higher (by 9.1%) compared to total assets and its share in the total balance sheet fell by 2.0 pp to 60.7%. The volume of investments thus also reached its lowest level since 2008, mainly due to a more pronounced reduction in the value of investments in equities and variable-yield securities (by 21.5%) and a decrease in investments in debt securities (by 14.9%). The drop in the total value of assets can also be explained by a decrease in the value of investments where the policyholder is the bearer of the investment risk. These investments represented the second most important asset item (with a share of 19.7%) and even decreased by 12.3% compared to the previous year.

On the liability side of the balance sheet, the amount of technical provisions went down by 2.6% to CZK 251.6 billion. The life insurance provision declined by 8.5%, continuing a downward trend that started in 2015, but was interrupted by an increase in 2021. On the other hand, the provision for unearned premiums increased by 6.5% year on year, driven by a 7.0% increase in the provision for unearned premiums relating to non-life insurance. In contrast, the provision for unearned premiums relating to life insurance fell by 5.4%. There was also a 4.5% year-on-year increase in the provision for outstanding claims, with a positive contribution from the non-life insurance segment (up 6.7%).

Table 7.2: Main items of the balance sheet and profit and loss account of the insurance market

As at 31 Dec (CZK bn)	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Total asset	**511.7**	**520.1**	**487.1**	**493.0**	**524.5**	**492.7**	**-31.8**	**-6.1**
Investments	355.0	364.9	326.1	324.7	329.0	299.1	-29.9	-9.1
of which bonds and other fixed-income securities	259.2	253.8	238.9	240.8	245.8	209.2	-36.6	-14.9
Investments where policyholders bear the investment risk	93.3	88.2	98.3	100.1	110.7	97.1	-13.6	-12.3
Technical provisions	**266.3**	**257.1**	**250.0**	**249.7**	**258.3**	**251.6**	**-6.8**	**-2.6**
of which: life insurance provision	164.5	157.6	151.2	148.8	152.6	139.7	-12.9	-8.5
provision for unearned premiums	24.7	26.1	27.7	28.9	31.8	33.9	2.1	6.5
outstanding claims provision	65.7	62.3	61.2	61.2	63.7	66.6	2.9	4.5
Profit or (-) loss before tax	**10.4**	**17.4**	**20.1**	**17.8**	**31.3**	**19.0**	**-12.2**	**-39.2**
Result of technical account for non-life insurance	0.4	6.5	4.1	8.4	16.1	7.8	-8.4	-51.8
Result of technical account for life insurance	8.8	9.4	10.1	8.3	14.7	9.3	-5.5	-37.1

Source: CNB - ARAD, MoF calculations

In terms of economic performance, although the insurance sector achieved a profit of CZK 19 billion in 2022 (Table 7.2), there was a significant year-on-year decline of 39.2%. This was due to two extraordinary operations related to a change in the corporate structure of the two most important domestic insurance companies. Adjusted for these exceptional transactions, the profit was down by 7.6% year on year. The result of the technical account for non-life insurance decreased by 51.8%, driven in particular by a fall in investment income (77.0%) and a parallel increase in gross claims costs (11.8%). The result of the technical account for life insurance also showed a more significant drop (by 37.1%), primarily due to the growth in gross claims costs (19.2%), which outpaced the growth rate of premiums written (5.0%).

The profitability of the insurance sector is largely determined by the ability of individual insurers to detect insurance fraud. The Czech Insurance Association's data show that insurers investigated 13,820 suspicious claims in 2022, an increase of more than a one-fifth on the previous year (Table 7.3). Out of the total number of claims examined, insurance fraud of CZK 1.4 billion was detected, resulting in a 13.9% increase in the volume of proven fraud. However, the average amount of detected insurance fraud went down year on year by CZK 18.4 thousand to CZK 230.8 thousand.

Table 7.3: Development of investigated and detected insurance fraud

As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Volume of detected fraud (CZK mn)	1,196.5	1,298.8	1,133.2	1,231.4	1,248.9	1,422.7	173.8	13.9
Average amount (CZK)	196,305	232,225	230,653	288,306	249,180	230,763	-18,417	-7.4
Suspicious incidents (pcs)	18,141	10,325	8,474	9,632	11,407	13,820	2,413	21.2

Source: Czech Insurance Association, MoF calculation

7.2 Insurance Intermediation

The total number of persons authorised to broker insurance[45] increased year on year for first time after two years of decline and amounted to almost 32,500 at the end of 2022. Compared to 2021, the total number of authorised persons rose by 1.6 thousand, with an increase in the number of intermediaries recorded in the categories of tied agents and supplementary insurance intermediaries. In contrast, there was a slight decrease in the category of independent intermediaries (Table 7.4). Starting in 2019, the number of insurance intermediaries was significantly affected by changes in the regulatory framework for insurance and reinsurance distribution[46] that were adopted in 2018. These changes resulted in a decline in the number of persons authorised to intermediate insurance and reinsurance between 2018 and 2019; at the end of 2018, more than 185,000 authorisations were recorded for the whole year.

Table 7.4: Number of insurance intermediaries

As at 31 Dec	2019	2020	2021	2022	Year-on-year change	
					Abs.	(%)
Independent intermediaries	1,164	1,121	829	822	-7	-0.8
Tied agents	35,049	34,648	28,473	30,048	1,575	5.5
Supplementary insurance intermediaries	2,268	2,232	1,575	1,578	3	0.2
Total	38,481	38,001	30,877	32,448	1,571	5.1

Source: CNB – JERRS, MoF calculations

45 Besides insurance intermediaries, persons in the position of policyholders may also offer insurance to customers on a commercial basis (fleet insurance). Insurance companies are required to register these persons with the CNB; the CNB does not publish their numbers.

46 Act No 170/2018 on insurance and reinsurance distribution, as amended.

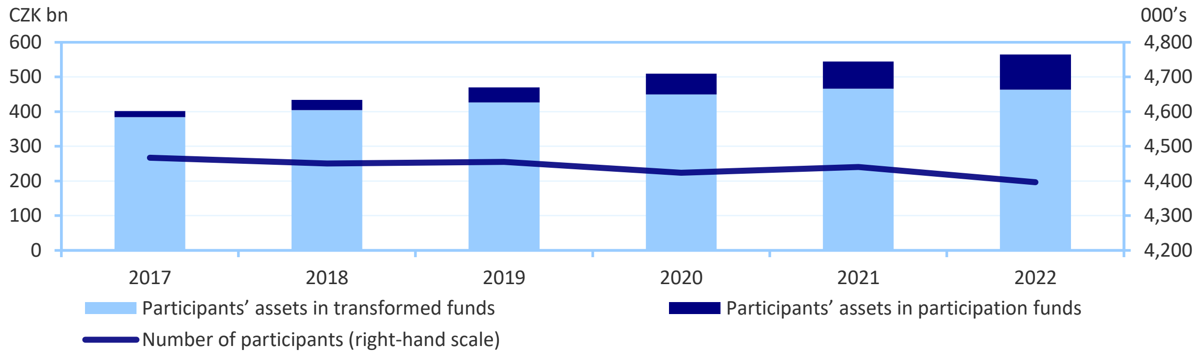
8 PRIVATE PENSION SYSTEM

8.1 Supplementary Pension Insurance and Supplementary Pension Savings

Participants' Assets and Number of Participants

At the end of 2022, the volume of funds managed in Pillar III,[47] which consists of supplementary pension insurance and supplementary pension savings schemes, had grown again year on year, albeit at the lowest rate since 2017, i.e. it rose by 3.1% to CZK 584.2 billion (Graph 8.1). Most participants' assets (79.4%) continued to be invested in transformed funds, although their volume slipped year on year for the first time in history, dropping by 0.4% to CZK 463.9 billion. In the context of the reform of the private pension system in 2013, participants in the supplementary pension insurance scheme were automatically transferred to the transformed funds, but the original terms and conditions of their supplementary pension insurance contracts were preserved (in particular the guarantee of non-negative appreciation). New entrants can no longer enter the transformed funds. Since 2013, only the supplementary pension savings system has been available under Pillar III. Here, participants' assets increased by 19.2% to CZK 120.3 billion in 2022.

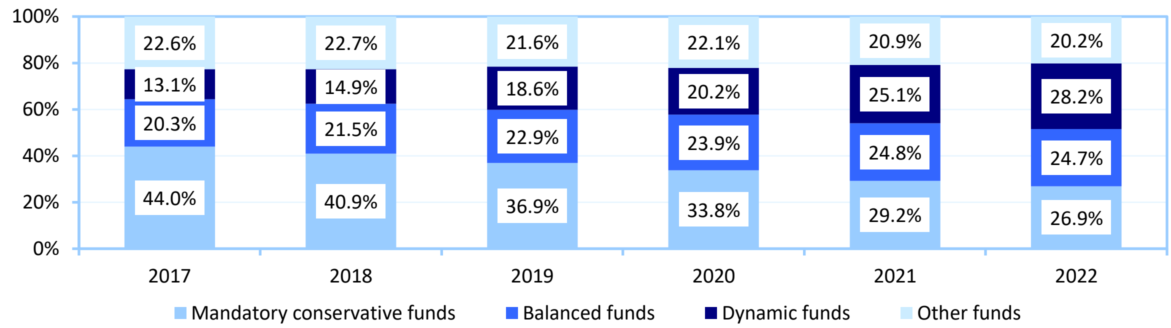
Graph 8.1: Participants' assets and number of participants in Pillar III



Source: APS CR, MoF

In a supplementary pension savings scheme, participants' assets are managed in various types of participation funds according to an investment strategy chosen in advance by the participants from the pension management company's offer.[48] At the end of 2022, from the standpoint of how participants' assets are allocated to the different types of participation funds, dynamic funds, which mainly invest their resources in equities, newly reported the highest share on the strength of considerable inflows. Compared to 2017, dynamic funds gradually increased their share in total assets by 15.1 pp, particularly at the expense of mandatory conservative funds. Dynamic funds, together with balanced funds that also invest partly in equities, thus managed more than half of all assets of supplementary pension savings participants in 2022 (Graph 8.2).

Graph 8.2: Structure of participants' assets managed in different types of participation funds



Source: APS CR, MoF calculations

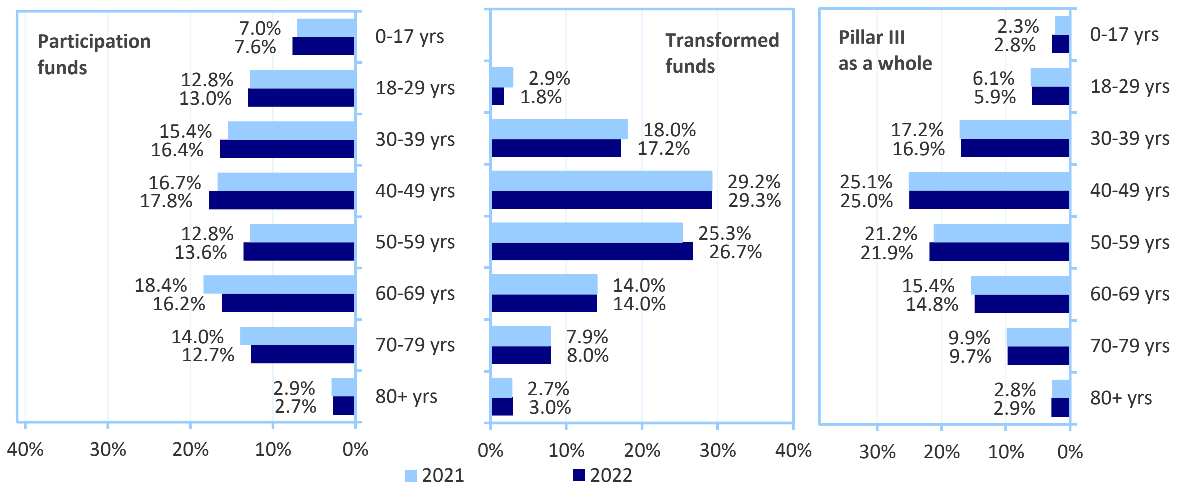
[47] Pillar I represents a mandatory pay-as-you-go pension system financed by the state. Pillar II, which was represented by voluntary retirement savings scheme, was started in 2013 and in 2016 was discontinued.

[48] In contrast, in the supplementary pension insurance system, the guarantee of non-negative annual appreciation means that a choice of investment strategy is not possible.

The total number of Pillar III participants fell by 1.0% year on year (44.2 thousand) to 4.4 million (Graph 8.1), even though 7.8% more new participants joined the participation funds during 2022, and this number (almost 276,000) was the highest in the history of these funds. However, the total number of participants in participation funds increased less, by only 170.0 thousand to 1.62 million persons; this 11.7% increase was 2.6 pp lower than in 2021. In transformed funds, on the other hand, the number of participants dropped by 7.2% (214.2 thousand), i.e. at the highest rate over the reporting period, to 2.77 million.

Traditionally, the age structure of participants in Pillar III as a whole has been dominated by participants aged 40 to 49, whose share (25.0%) remained almost unchanged compared to 2021 (Graph 8.3). The gradual rejuvenation of the age structure of participants continued with the share of participants aged over 60 falling by 3.7 pp year on year to 31.6%, down from 51.4% in 2017. The proportion of these participants also decreased slightly among new entrants to the participation funds, slipping to 26.3%. With respect to the individual age categories monitored, new entrants were most often between the ages of 18 and 29, accounting for 19.2% of the total number of new entrants.

Graph 8.3: Age structure of participants in Pillar III

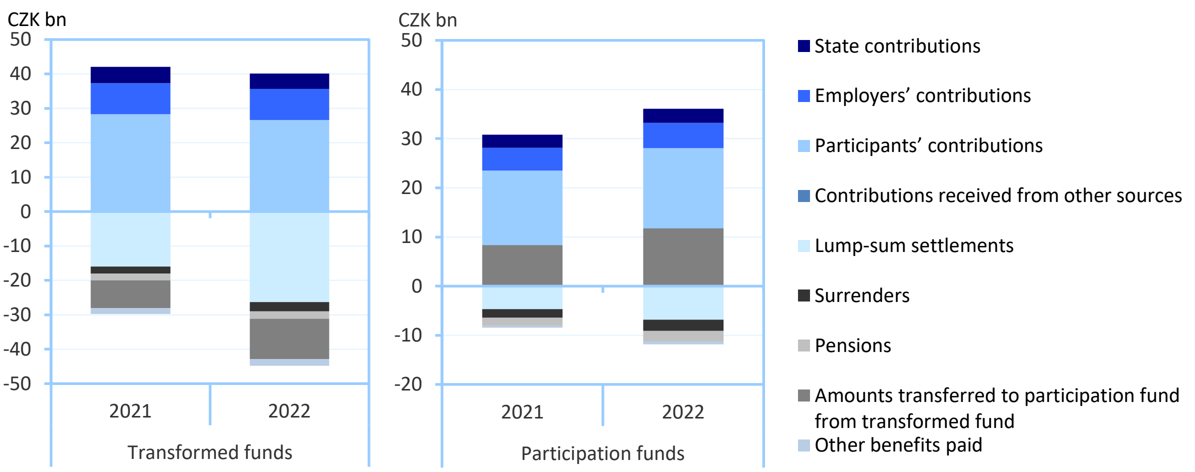


Source: MoF

Contributions and Benefits

With transformed funds, the balance between contributions received and benefits paid shrank again year on year in 2022, and even went into negative territory (CZK -4.6 billion), as the volume of benefits paid exceeded the volume of contributions received. This was the first time this happened since these funds were closed to new entrants. In contrast, for participation funds, contributions increased by CZK 5.3 billion year on year to CZK 36.1 billion, thanks also to a record volume of funds transferred from transformed funds, and far exceeded (by CZK 24.2 billion) the volume of benefits paid (Graph 8.4).

Graph 8.4: Contributions received and benefits paid in transformed and participation funds



Source: CNB – ARAD, MoF calculations

The way in which the structure of contributions evolved was similar in both types of pension funds, with the share of participants' own contributions gradually declining to 66.5% on average, the share of employers' contributions increasing to 22.0% and the remainder of contributions received being state contributions.

Of the benefits paid from transformed funds,[49] 84.5% took the form of lump-sum settlements, the share of which increased by 4.2 pp year on year and climbed to the highest value in the reporting period (i.e. since 2017). In contrast, the share of pensions paid out fell by 2.6 pp year on year to 7.0%. With participation funds, lump-sum settlements accounted for 60.6% of pay-outs in 2022 (excluding other benefits paid shown in Graph 8.4 due to their random nature), while the pension share fell by 0.2 pp year on year to 19.0%.

In 2022, the average monthly participant's and employer's contribution levels for transformed funds experienced below-average absolute and relative year-over-year increases from the perspective of the reporting period. The average monthly participant's contribution increased by CZK 14 to CZK 795 and the average monthly employer's contribution went up by CZK 40 to CZK 1,095. By contrast, the participant's and employer's contributions to the participation funds rose slightly above average within the framework of the reporting period, increasing by CZK 24 to CZK 853 and by CZK 70 to CZK 1,213, respectively (Table 8.1). In 2022, this situation resulted in the end of the gradual convergence of the average participant's contribution to supplementary pension insurance scheme and the average amount saved by participants in supplementary pension savings scheme (Graph 8.6).

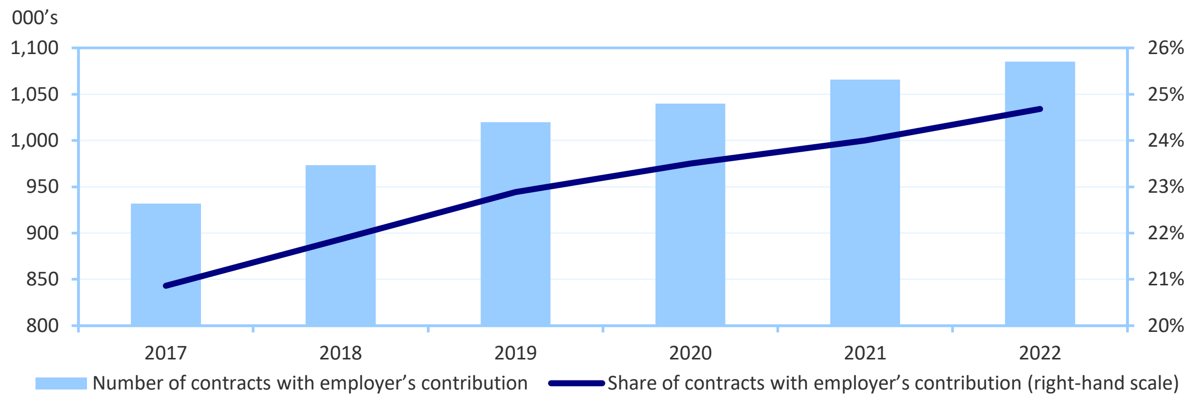
Table 8.1: Average monthly contributions in transformed funds (TF) and participation funds (PF)

	Average CZK/month	2017	2018	2019	2020	2021	2022	Year-on-year change	
								Abs.	(%)
TF	Participant's contribution	624	680	722	754	781	795	14	1.8
	Employer's contribution	837	877	914	1,017	1,055	1,095	40	3.8
	State contribution	120	128	133	137	140	141	1	0.7
PF	Participant's contribution	776	790	800	812	829	853	24	2.9
	Employer's contribution	885	973	989	1,099	1,143	1,213	70	6.1
	State contribution	159	160	160	161	161	162	1	0.6

Source: APS CR, MoF, MoF calculations

The number of participants whose employer contributed to their retirement savings in Pillar III has increased year on year since 2016, although this growth has slowed since 2020. At the end of 2022, there were a registered 1,085.1 thousand participants who had employer's contributions currently being paid into their pension account (Graph 8.5), a year-on-year increase of 1.8%, which was 0.7 pp lower than in 2021. However, due to the decline in the total number of Pillar III participants, the share of contracts with an employer's contribution increased by a slightly higher amount year on year than in 2021, i.e. by 0.7 pp to 24.7%. For economically active participants aged 18 to 64, the share of contracts with employer's contributions increased by 0.9 pp to 31.0%, with the highest level reported, as usual, among participants aged 50 to 59 (35.6%).

Graph 8.5: Number of contracts in Pillar III with an employer's contribution

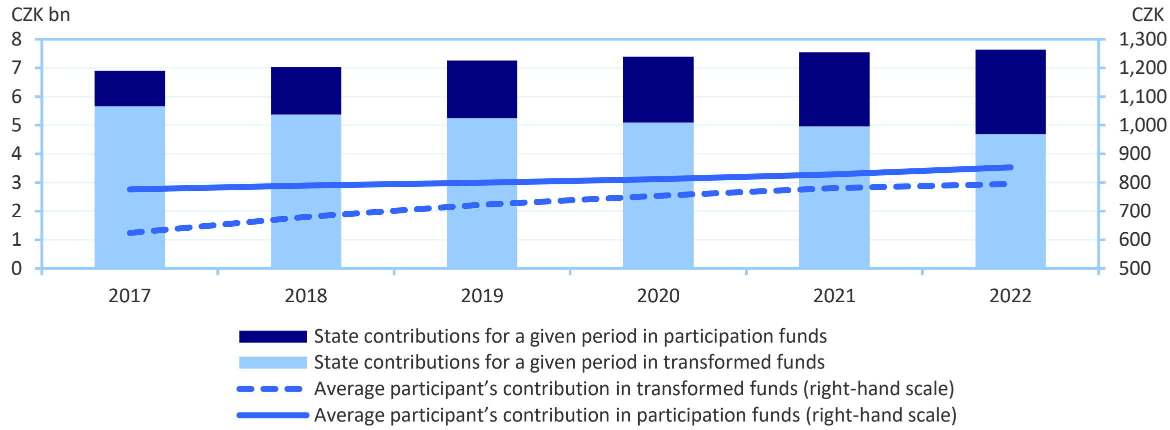


Source: MoF

[49] Excluding funds transferred to participation funds, as well as other benefits paid listed in Graph 8.4 due to their random nature, e.g. inheritance payments and repayments to the State budget.

The total amount of state contributions paid to participants in the supplementary pension insurance and supplementary pension savings systems increased by a very slight CZK 85 million to CZK 7.6 billion in 2022 (Graph 8.6). The share of contributions paid to participants in supplementary pension savings scheme as a proportion of total direct state support continued to increase gradually, rising to 38.5% in 2022.

Graph 8.6: State contributions and average monthly participant's contribution in transformed and participation funds



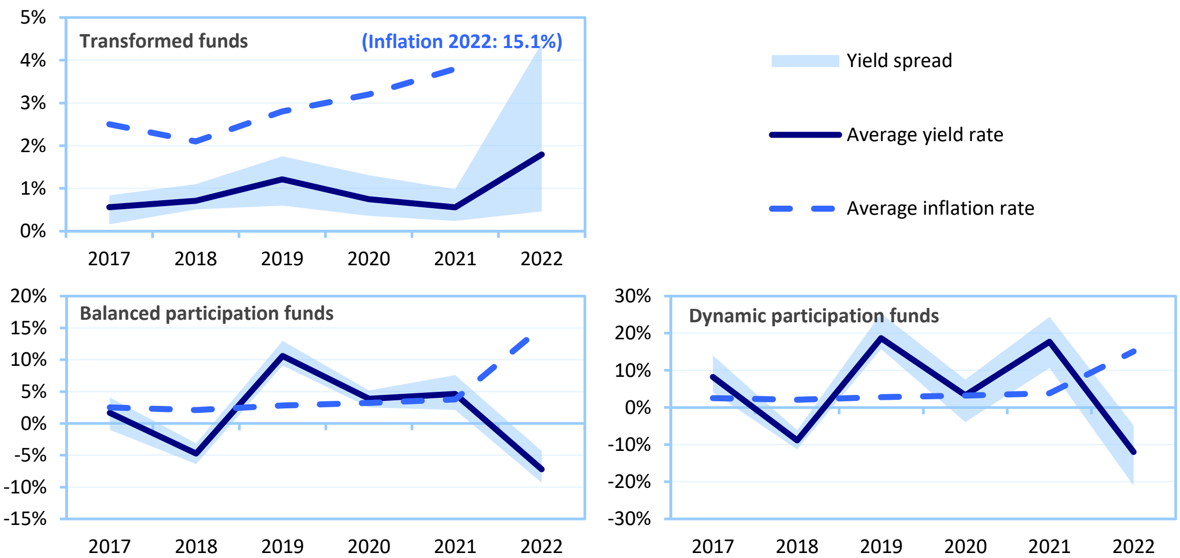
Source: MoF

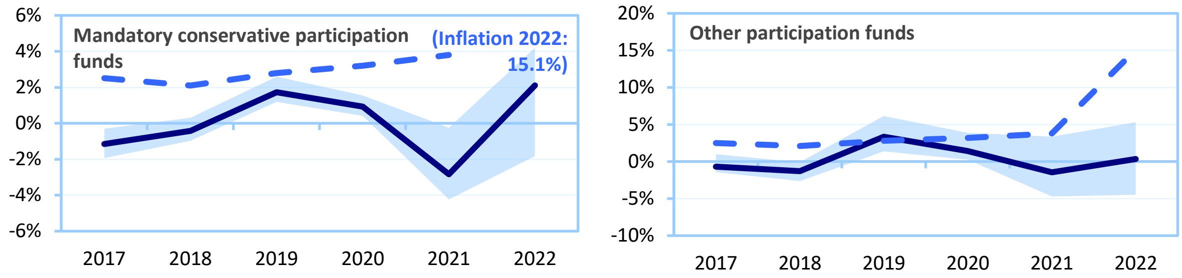
Profitability and Allocation of Pension Funds' Assets

For the third year in a row, pension funds' total profit decreased year on year, this time by 45.6% to CZK 2.5 billion. While in 2021 the year-on-year decline in profit was mainly due to a drop in interest income for transformed funds, in 2022 the fall in total profit was fully attributable to participation funds, which recorded the highest loss, CZK 4.7 billion, since their inception. The direction taken by financial markets in 2022 did not bode well for the more dynamic strategies of participation funds. However, the transformed funds, which funds are predominantly allocated in bonds (Graph 8.8) valued, for the most part, at amortised cost, generated returns in 2022 from the previous rise in interest rates and actually generated their highest profit (CZK 7.2 billion) since the reform of the private pension system in 2013.

However, at the end of 2022, none of the transformed or participation funds appreciated above the average annual inflation rate of 15.1%. The yield rate for all dynamic and balanced participation funds was negative, averaging -12.0% and -7.2% p.a., respectively (Graph 8.7); these were the worst levels in the history of such funds. Conversely, mandatory conservative participation funds posted their highest ever average yield rate at 2.1% p.a. Similarly, transformed funds offered an average yield of 1.8% p.a., the highest appreciation since their inception in 2013.

Graph 8.7: Average yield rate in different types of pension funds

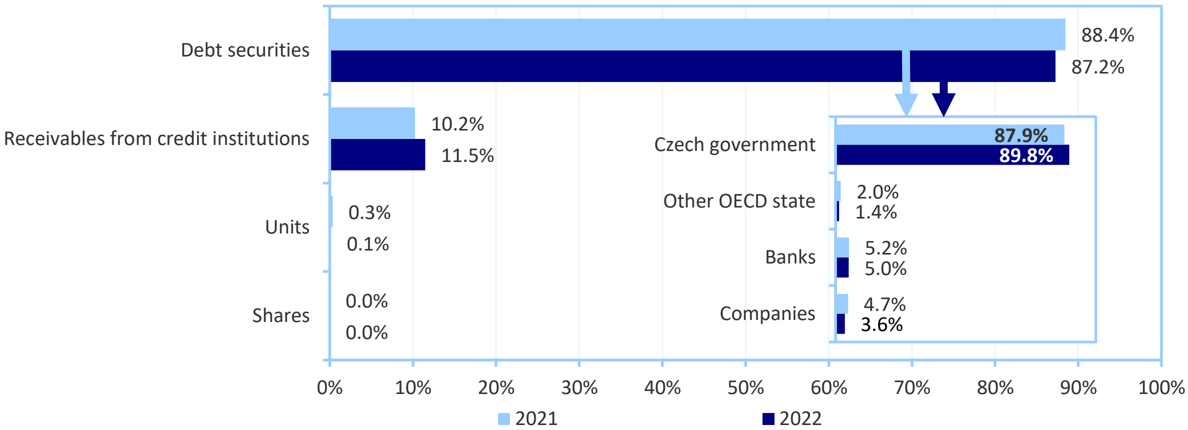




Source: APS CR, MoF calculations

Within the very conservative investment portfolio of the transformed funds, there was a slight year-on-year decline in the share of debt securities and a modest increase in the share of receivables from credit institutions. The share of Czech government bonds in the bond portfolio rose again at the expense of other issuers (Graph 8.8).

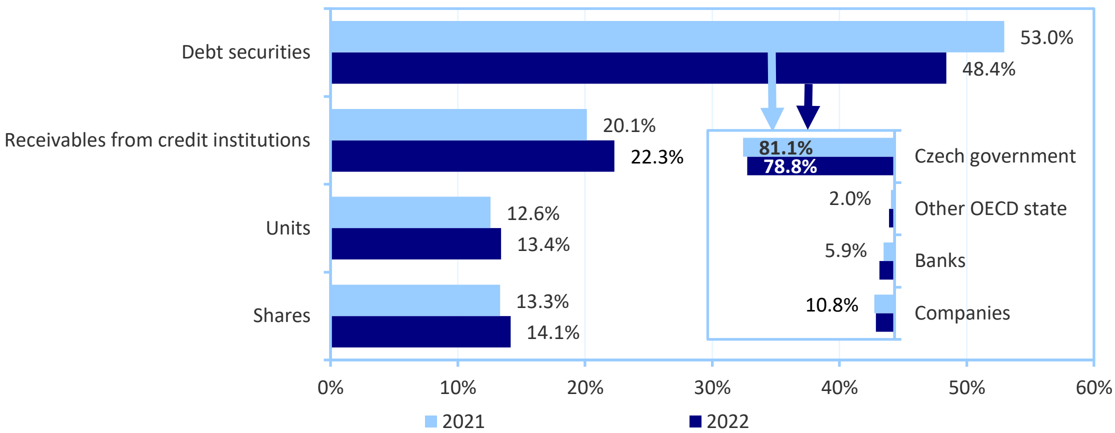
Graph 8.8: Allocation of transformed funds' assets and structure of debt securities according to their issuers



Source: CNB – ARAD, MoF calculations

There was a sharper decline in the share of debt securities in the investment portfolio of participation funds compared with the transformed funds, not only in favour of receivables from credit institutions, as in the case of the transformed funds, but also in favour of riskier asset classes in the form of units and shares (Graph 8.9), presumably because of the strong inflows into dynamic participation funds. In the portfolio of debt securities, unlike the transformed funds, the share of Czech government bonds decreased, while the share of bonds issued by banks increased the most.

Graph 8.9: Allocation of participation funds' assets and structure of debt securities according to their issuers



Source: CNB – ARAD, MoF calculations

Some of the more detailed information about the supplementary pension insurance and supplementary pension savings sector, which is regularly published on the MoF website www.mfcr.cz, is included in Tables A2.3 and A2.4 in Appendix 2.

8.2 Pension Management Companies

Pension management companies have been active on the financial market since 2013 as administrators of assets registered in the personal pension accounts of participants in participation and transformed funds. Profit before tax from ordinary activities in the pension management company sector rose again in 2022, increasing by 5.3% to CZK 2.7 billion (Table 8.2). The increase in profit was mainly due to a rise in the total amount of fees paid to pension management companies for the management of pension fund assets and growth in interest income.

The ratio of pension management companies' regulatory capital to their total capital requirement continued to trend upwards over the reporting period, reaching an all-time high of 268.3% in 2022. However, this was due to the fact that the rate of decline in pension management companies' capital requirements (by 18.8%) was higher than the rate of decline in their capital volume (by 14.5%).

Table 8.2: Selected indicators of the pension management company sector

As at 31 Dec	2017	2018	2019	2020	2021	2022	Year-on-year change	
							Abs.	(%)
Profit or (-) loss before tax (CZK bn)	1.6	1.7	2.3	2.3	2.6	2.7	0.1	5.3
Equity, total (CZK bn)	9.0	9.3	10.4	12.5	12.8	10.9	-1.9	-14.5
Capital ratio (%)	139.7	153.8	167.8	215.9	254.8	268.3	13.5	5.3

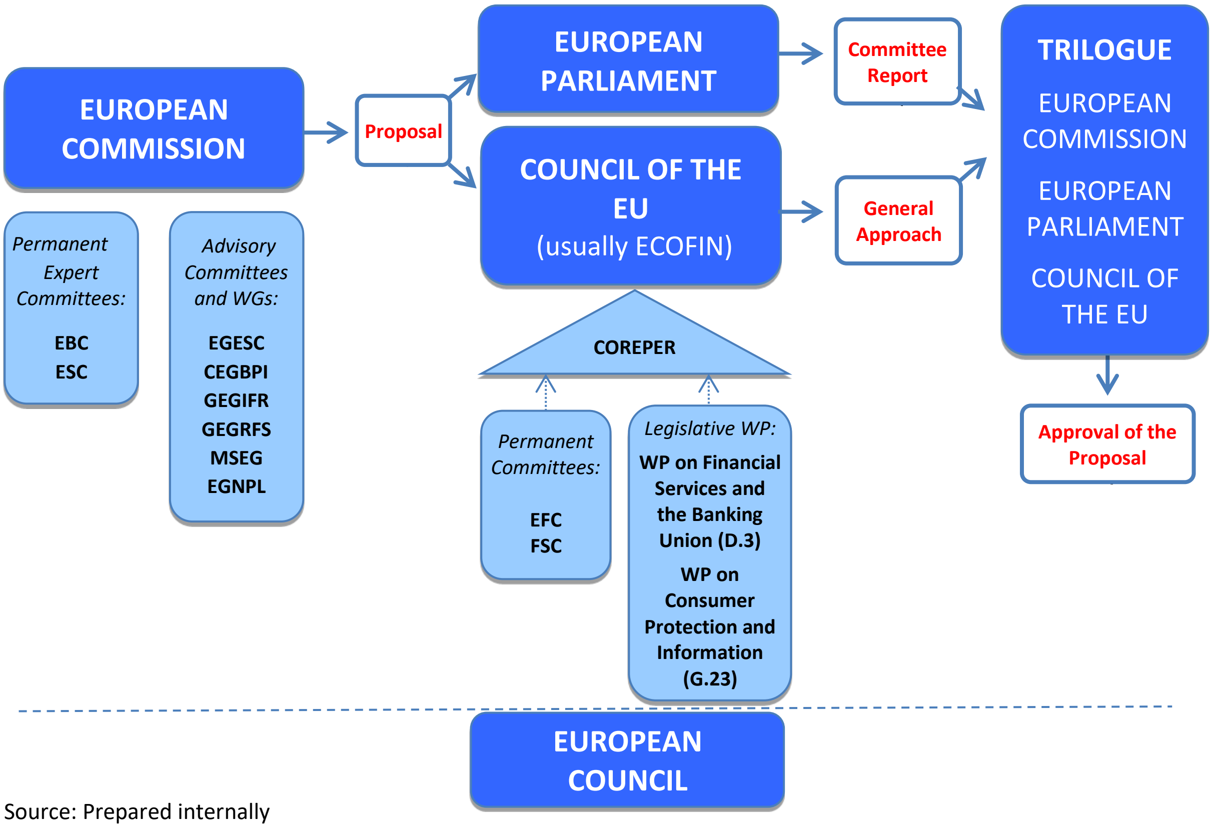
Source: CNB – ARAD, MoF calculations

9 FINANCIAL MARKET ACTIVITIES OF THE MOF AND FINANCIAL MARKET LEGISLATION

9.1 Ministry of Finance's Activities at the European Level

The MoF's activities at the European level are associated with the legislative process of discussing and approving the directives and regulations governing the financial market. Scheme 9.1 provides a basic description of this process. The preparation of legislative proposals falls within the competence of the European Commission (the "Commission"), which holds an "initiative monopoly" within this particular area. In a number of cases, the Commission discusses its plans and the text of its proposals at an expert level with representatives from the Member States using the platforms provided by the permanent expert committees (referred to as Level 2 Committees), expert advisory committees, and working parties. The Commission's proposals are subsequently finalised, published on the Commission's website, and forwarded for the parallel discussion by the European Parliament and the Council of the European Union (Council). At the level of the European Parliament, the proposals are discussed by the appropriate committee (proposals affecting the financial market are discussed by the Committee on Economic and Monetary Affairs – ECON Committee). The output from the discussions is the approved Committee Report that includes a proposal for amendments to the Commission´s proposal. As far as the Council is concerned, the proposals are discussed by the representatives of the Member States within the relevant working party (WP) (in the case of financial services they are the D.3 WP on Financial Services and the Banking Union or the G.23 WP on Consumer Protection and Information), and various ad hoc working parties that are established as required. The result from the meetings consists of a proposal of revised version that is submitted for approval in the form of a General Approach, first to the Permanent Representatives Committee (usually COREPER II), and then to the Council (most often in its ECOFIN configuration). The General Approach and the Report prepared by the appropriate committee of the European Parliament are the input materials for a "trilogue" – a tripartite meeting during which a compromise version of the directive or regulation is negotiated by three parties, specifically the Commission, the Council, and the European Parliament. The final version is then formally approved by the Council and the European Parliament and subsequently published in the Official Journal of the European Union (the Journal).

Scheme 9.1: Basic structure of the European institutions within the context of the legislative process



Source: Prepared internally

The following sections of Chapter 9.1 provide information about the topics discussed by the various structures of the Commission and the Council. More details about the individual proposals for directives and regulations are provided in Chapter 9.3.

Commission

The Commission is one of the EU's organs, which acts independently of the Member States and promotes the Union's interests. The term "Commission" is used in two different ways: either in the sense of the College of Commissioners or to also include the full administrative body. The Commission participates at almost all decision-making levels and it has the largest administrative and expert apparatus of the EU institutions. Most importantly, the Commission is the "guardian of the treaties", which means that it ensures compliance with the basic treaties establishing the European Union and one of the Commission's official obligations is to take legal actions if any breach of these treaties is discovered. Another key competence of the Commission consists of its participation in the EU legislation. In this respect, it holds an "initiative monopoly" – only the Commission has the right to submit legislative proposals. Other powers entrusted to the Commission include the publishing of recommendations and opinions, the exercise of delegated power (delegated legislative power), and representing the EU externally, including maintaining diplomatic relations and negotiating international treaties. The Commission is also responsible for managing a majority part of the EU budget.

Various working groups and committees function within the Commission as its advisory bodies. Their meetings are held with the participation of representatives from the Member States. As far as financial services are concerned, these are usually representatives from the ministries and, in some situations, also from the central banks. In some cases representatives from the European Central Bank (ECB), European System of Financial Supervision – European Insurance and Occupational Pensions Authority (EIOPA), European Banking Authority (EBA), and European Securities and Markets Authority (ESMA), as well as representatives of the countries of the European Free Trade Association (EFTA), European Economic Area (EEA) and the candidate countries for EU membership participate as observers.

Permanent Expert Committees

European Banking Committee (EBC)
The EBC acts as the Commission's advisory body during the preparation of EU implementing acts in the banking sector. The Committee did not meet in 2022, nor were there any silent procedures.

European Securities Committee (ESC)
The ESC is a committee of representatives of Member States that votes on implementing acts of the Commission within regulatory procedure with scrutiny (this does not apply to technical standards, which the Commission only formally approves). In January 2022, the Committee voted to extend the temporary equivalence of the UK regulatory framework for central counterparties to the requirements of Article 25 of EMIR[50] until 30 June 2025. In March, the Committee was consulted on the equivalence of US exchanges with regulated markets for the purposes of Article 2 of EMIR and on the amendment of Regulation 2021/85 on central counterparty equivalence in relation to mortgage-backed securities issued by the government agencies Fannie Mae, Freddie Mac and Ginnie Mae. In April, Committee members were advised of the adoption of the delegated act on the Sustainable Finance Disclosure Regulation (SFDR)[51] and the public consultation on the amendment to the Money Market Funds Regulation (MMFR).[52] In April, May and June, the Committee voted on the equivalence of the regulatory framework for central counterparties in Malaysia, South Africa, Chile, India, Indonesia, Israel, and China. In September, the Committee voted on the equivalence of the regulatory framework of Taiwan and Colombia for central counterparties pursuant to Article 25 of EMIR. Committee voting in 2022 was by written ballot only; the Committee did not meet physically or via teleconference.

Other selected Commission platforms

Expert Group of the European Securities Committee (EGESC)
In 2022, meetings of the ESC Expert Group were organised in the form of teleconferences. In February, a written consultation was held on extending the exemption for pension schemes under Article 85 of EMIR. In February,

[50] Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as amended.

[51] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended.

[52] Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds, as amended.

the Expert Group held a teleconference to discuss Member States' views on a ban on payment for order flow in the draft amendment to MiFID II.[53] In March, the Expert Group discussed technical aspects of the proposed amendment to MiFIR,[54] specifically the scope and work of the market data expert group, including in relation to the UK Wholesale Markets Review initiative. Two meetings were held in May on the forthcoming Listing Act proposal (amendments to the Prospectus Regulation, the Market Abuse Regulation, MiFID II and the Listing and Multiple-vote Share Directive), with the final proposal published by the Commission in December. The meeting held in July centred on the MiFIR amendment in relation to consolidated equity data and an amendment to the Third-country Benchmarks Regulation. The group met again in November to discuss an amendment to the Benchmarks Regulation concerning an extension to the grace period for third-country benchmark administrators.

Commission Expert Group on Banking, Payments and Insurance (CEGBPI)

The CEGBPI was established in 2013 and to a large extent replaced the European Insurance and Occupational Pensions Committee (EIOPC) and the European Banking Committee (EBC). Its objective is to provide the Commission with support and advice during the preparation of legislative proposals and delegated acts associated with banking, payment services, and the insurance industry. The CEGBPI also functions as a platform for communication and the exchange of opinions between the institutions of the Member States and the Commission.

The Commission uses the CEGBPI in the banking formation, or bank regulation and supervision, *inter alia* for the consultation of forthcoming delegated acts based on the directive (CRD[55]) and the regulation on prudential requirements for credit institutions and investment firms (CRR[56]). In 2022, a core issue was a review of the macro-prudential framework with the aim of making it more transparent and efficient for banks. Options for the use and replenishment of capital buffers were discussed, including consistency in the use of buffers (the O-SII capital buffer, the SyRB systemic risk capital buffer and the CCyB countercyclical capital buffer) as well as the supervision of macro-prudential policies. Related to this, the issue of increasing the ratio and calibration of the releasable capital buffer and adjusting the risk weights for exposures secured by real estate was addressed. Possible safeguards for financial stability in the context of the operationalisation of cross-border liquidity waivers were also discussed. Topics included a review of the parametric configuration of the securitisation prudential framework, as well as a proposal to increase the proportion of releasable capital buffers, a proposal to use borrower-based instruments and options for obtaining comparable data on credit standard indicators. There were also significant crisis framework topics, with discussions on adjustments to the framework regarding the minimum requirement for own funds and eligible liabilities (MREL) in relation to entities whose insolvency would be resolved by liquidation, and to groups headed by holding entities. A possible amendment to Delegated Regulation 2015/63 regarding the methodology for calculating derivative liabilities was also discussed. An analysis of the review clause in the Daisy Chain Regulation was considered, as was a moratorium period under Article 33a of the BRRD.[57] In February 2023, another meeting was held, which, in addition to the macro-prudential use of CCyB reserves, also addressed further securitisation arrangements and the possibility of implementing the Basel standard for the prudential treatment of banks' cryptoasset exposures (adopted in December 2022).

The formation for payment services and payments met once in 2022, via videoconference. The Expert Group mainly discussed a review of the Second Payment Services Directive (PSD II). Member States shared their insights on a strong card payment authentication and there was a discussion on extending access to payment account data.

[53] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended.

[54] Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012, as amended.

[55] Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended.

[56] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended.

[57] Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, as amended.

During 2022, the Expert Group also started to meet in a digital euro formation in response to a forthcoming legislative proposal. During 2022, this section met five times, four times via videoconference and once in a hybrid format (both face-to-face and online). Member States shared their initial insights on the digital euro, and topics related to the potential status of the legal tender, mandatory acceptance and exemptions, privacy and data protection, and distribution and access to the digital euro were outlined.

The Expert Group's in the insurance formation met eight times. Two meetings were held in February 2022, when the key item on the agenda was a review of the Solvency II Directive[58] and the related amendments to the Commission Delegated Regulation 2015/35, mainly relating to long-term capital investments and long-term guarantees. In April, discussions returned to the review of the Solvency II Directive and follow-on amendments to the Regulation 2015/35, in particular risk mitigation techniques, adjustments to market risk and counterparty default risk calculations, guarantees, sustainability risk disclosure practices, ESG and climate change. The May and June meetings built on the February meetings regarding long-term capital investments and long-term guarantees. In addition, some aspects of the Pan-European Personal Pension Product (PEPP)[59] Regulation were discussed, along with tax treatment options for PEPP products and a template form for the collection of standardised information on the current tax treatment status. The July meeting looked at the issue of motor vehicles from Ukraine in the EU, as well as third-party liability insurance and green cards for such vehicles. In October, the setting up of the International Association of Insurance Supervisors' holistic framework and its contribution to tackling systemic risk was discussed, and the implementation of the EU-US bilateral agreement on prudential rules on insurance and reinsurance was assessed. The November meeting revisited long-term capital investments and the criteria for determining them, and discussed an adjustment to the amounts set out in the Solvency II Directive in the light of inflation.

The Expert Group's derivatives and market infrastructure section met four times in 2022. In March, there were explored ways to boost market infrastructure and clearing in the EU and there was also a discussion on how to make the supervision of central counterparties in the EU more effective. In June, the group discussed proposals on how to develop and roll out a larger clearing strategy on both the buy and sell sides in the EU, and surveillance was again discussed. In September, the Group discussed possible changes to the clearing of energy derivatives and to the collateral that may be posted. In November, the group met to discuss the settlement of energy derivatives and discussed measures that could become part of the EMIR amendment and that countries would see as beneficial for derivatives clearing, such as greater transparency on margin requirements or collateral requirements.

Government Expert Group on the Interchange Fee Regulation (GEGIFR)
The Expert Group was established in 2015 as part of the process of implementing the Interchange Fees for card-based payment transaction Regulation (IFR).[60] It mainly discuss problems arising from the implementation process. The meetings are also an opportunity for member States to present their observations and experiences, and to discuss cooperation. In 2022, the Expert Group met twice, in May and October, via videoconference. It was discussed the electronic and visual identification of payment cards, scheme fees, acquiring margins, and the circumvention of thresholds. Member States also shared their recent experience regarding the implementation of the IFR.

Government Expert Group on Retail Financial Services (GEGRFS)
The GEGRFS, composed of representatives of Member States and the Commission, was set up in 2007 to deal with issues related to the provision and regulation of retail financial services. Since 2018, the main agenda has been a revision of the Mortgage Credit Directive (MCD),[61] a revision of the Payment Accounts Directive (PAD),[62] financial education and, more recently, the preparation of the Retail Investment Package. In December 2022, the Expert Group met via teleconference. The Commission presented the conclusions of a study on

[58] Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as amended.

[59] Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP).

[60] Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions.

[61] Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010, as amended.

[62] Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features.

the transposition of the PAD, the implications of the interplay between Article 16 of the PAD and FATCA (the Foreign Account Tax Compliance Act) and the findings of a public consultation on the revision of the MCD. During 2022, works have begun on the joint OECD/EU financial competence framework for children and youth under a separately established sub-group on financial education. This aims to establish a voluntary financial literacy standard for children and young people in the EU. This material is developed through adapting and updating the OECD framework to the needs of the EU. In particular, new additions are being made in the areas of sustainability and digitalisation.

Member States expert group on sustainable finance (MSEG)
The Expert Group on Sustainable Finance has been set up as a consultative body for the Commission and Member States on the Commission's forthcoming primary and secondary legislation (and, where appropriate, non-legislative activities) in the field of sustainable investment. The Expert Group has been meeting since June 2018 at roughly three-monthly intervals, and more frequently at times when legislative proposals are being drawn up.

In early 2022, the Group discussed a complementary delegated act on the technical criteria for taxonomy, which included nuclear and natural gas power generation. The Czech Republic has long lobbied for this to be submitted for the sake of energy self-sufficiency and technological independence. The proposal was published by the Commission in December 2021. The Czech Republic was also actively involved in the negotiations on the final text. During the French Presidency, the Czech Republic took a leading role within the group of allied Member States. The proposal was finally adopted by the College of the Commission in March 2022 and was not vetoed by either the EU Council or the European Parliament. It took effect on 1 January 2023.

In addition to the complementary nuclear-gas delegated act, the work and outputs of the Commission's external Platform on Sustainable Finance, which was coming to the end of its term of office, were notable topics of discussion in 2022. In addition to guidance, guidelines and reports, the Platform on Sustainable Finance published, in particular, a report on the technical criteria for the remaining four environmental objectives foreseen in the Taxonomy Regulation (biodiversity, the protection of water and marine ecosystems, the circular economy and waste management). The Ministry of Finance commented on these in cooperation with other ministries. In April 2024, the Commission will issue its own delegated act based on the technical work done by the Platform on Sustainable Finance.

Council of the European Union / ECOFIN Council

The Council of the European Union (the Council of the EU or the Council) brings together the ministers from the Member States, who meet and discuss or adopt proposals of legislative acts and other legal acts and co-ordinate the functioning of individual policies. The key tasks performed by the Council of the EU include approving the EU's legislation, coordinating the main direction of the economic policies of the Member States, ratification of agreements between the EU and other countries, approving the annual budget, developing the EU's foreign and defence policies, and coordinating the co-operation between the judicial organs and the police authorities in the Member States. The Council of the EU meets in various configuration (there are ten in total) according to the area to which the discussed materials belong. Each of the Member States sends its representative (minister) responsible for a particular area of policy to each of the meetings of the Council of the EU. The Presidency of the Council of the EU rotates every six months according to a pre-approved sequence (in 2022, the Presidency was held by France and the Czech Republic, in the first half of 2023 by Sweden). The Council of the EU does not have any permanent members, however, there is an exception, the Foreign Affairs Council (FAC), chaired by the High Representative of the Union for Foreign Affairs and Security Policy. This office is currently held by Josep Borrell.

The ECOFIN Council is the Council of the EU configuration consisting of the economics and finance ministers from the Member States (if budget issues are on the agenda to be discussed, the budget ministers also attend the meetings). The competencies of the ECOFIN Council include the adoption of measures in areas such as the coordination and supervision of economic policies; the monitoring of budgetary policy and the state of public finances in the Member States; the euro as the single currency; taxes; the financial markets; the free movement of capital; and economic cooperation with third countries. In addition, every year the ECOFIN Council works in cooperation with the European Parliament to prepare and approve the EU budget. As a rule, the ECOFIN Council meets once a month. In addition, the economics and finance ministers meet informally in the presiding country *once during its term. The governors of the central banks also participate in these informal meetings. In addition, budgetary ECOFIN is usually convened once a year.*

The preparatory committee for the Council of the EU meetings is the COREPER, which also has two configurations — COREPER II has subject-matter competence over the area of financial markets, COREPER I over the area of consumer protection.

There are a number of permanent or ad hoc working parties as well as expert committees within the structure of the Council of the EU, which prepare the ECOFIN agenda including pending legislative proposals. In the case of financial services, these comprise the Economic and Financial Committee, the Financial Services Committee, and the Working Party on Financial Services and the Banking Union (referred to as D.3).

The approval of legislative proposals in all Council of the EU configurations has the same weight — where there is consensus on a proposal of all Member States at lower levels (Working Party, COREPER), the proposal may be referred to the Council of the EU for approval without discussion (as an A point). It can then be approved by any configuration of the Council of the EU (usually the one that meet first); on the contrary, proposals falling under the competence of other Council of the EU configurations may also appear on the ECOFIN Council agenda as "A points".

In 2022, the ECOFIN configuration of the EU Council approved the general approaches to the Commission's proposals, which were discussed by the Working Party on Financial Services and the Banking Union. It also discussed agendas relating to the completion of the banking union, the deepening of the capital markets union, the combating of money laundering and terrorist financing, and measures and sanctions linked to the military conflict in Ukraine. Ministers were regularly informed at meetings about the progress in the negotiation of legislative proposals relating to financial services and on the state of implementation of legislation in the area and of financial market already adopted at national level.

At individual meetings, ECOFIN:

- approved recommendations for 2022 on the euro area's economic policy; was informed about legislative proposals in financial services and on the EIB's latest investment report (18 January 2022);
- discussed the economic and financial consequences of the military conflict in Ukraine; approved the EU mandate with a view to the meeting of G20 finance ministers and central bank governors (14 February 2022);
- adopted, for the first time, conclusions on export credits, with a view to exploring the possibility of strengthening coordination and creating an EU export credit instrument to complement national export credit instruments; was briefed on negotiations regarding the next steps towards completing the banking union (15 March 2022);
- adopted conclusions on the strategic autonomy of the European economic and financial sector; discussed preparations for the spring meeting of the International Monetary Fund (5 April 2022);
- was briefed on the successful negotiation of an amendment to the Regulation on European long-term investment funds (ELTIFs) which was proposed in order to make these investment funds more attractive (24 May 2022);
- acknowledged the state of play on the anti-money laundering legislative package; adopted a general approach to the amendments to the Solvency II Directive; adopted a general approach to the review of the Alternative Investment Fund Managers Directive; adopted the recommendation that Croatia become a member of the euro area (17 June 2022);
- adopted the last three legal acts enabling Croatia to adopt the euro as its currency as of 1 January 2023; was informed that a political agreement had been reached with the European Parliament on a regulation targeting money transfers in the fight against money laundering and on a regulation concerning cryptoasset markets (12 July 2022);
- held a policy discussion on the situation arising in the energy derivatives markets and the possibility of adopting specific measures; adopted the Daisy Chain Regulation, which reinforces the prudential regulatory framework for credit institutions operating in the EU; was briefed by the Presidency on the state of play regarding anti-money laundering legislation, the Cryptoasset Markets Regulation and the European Green Bond Regulation (4 October 2022);
- adopted a general approach to the banking package implementing the Basel III international standard (8 November 2022);

- took stock of the state of play in the implementation of the Recovery and Resilience Facility on the basis of a presentation by the Commission (6 December 2022).

Financial Services Committee (FSC) and Economic and Financial Committee (EFC)

The Financial Services Committee (FSC) and the Economic and Financial Committee (EFC) are two of ECOFIN's permanent committees. They have a permanent chairperson and do not apply a rotating chairperson rule. The FSC provides a forum for the preliminary higher-expert level discussion of issues associated with financial services and, together with the EFC, takes part in preparations for the individual ECOFIN meetings. Representatives from the finance ministries of EU Member States, the Commission, the ECB, and the European supervisory authorities (ESAs – the EBA, ESMA, and EIOPA) participate in the activities of the FSC. The FSC is also involved in the EU-US regulatory dialogue, in which the EU is represented by the Commission. The EFC's activities primarily consist of monitoring the economic and financial situation of Member States of the euro area and the EU as a whole, reporting to ECOFIN and the Commission, and participating in the preparation of the Council of the EU's activities in the economic and financial sector. The themes covered by the EFC are therefore much broader than those tackled by the FSC. EFC meetings are attended by representatives from the finance ministries of EU Member States, the Commission, the ECB, and the national central banks.

The financial market topics discussed at these committee meetings during 2022 included regular analyses of financial sector risks, reports by European supervisors on supervisory convergence, reports on the equivalence of third-country regimes, regulatory dialogue with the US, the results of joint stress tests in the EU, the monitoring of progress towards the capital markets union project, the latest developments in relations with the UK, the implementation of the action plan to fight money laundering and terrorist financing, the future review of money market fund regulation, the implementation of the digital finance strategy, cryptoasset issues, instant payments, energy derivatives markets, macro-prudential risks associated with climate change, sustainable finance, bank resolution issues, retail investor protection, the vulnerability of real estate markets, financial sanctions against Russia, and more.

Working Party on Financial Services and the Banking Union (D.3)

The Working Party on Financial Services and the Banking Union is one of the EU Council's preparatory bodies. It discusses the Commission's relevant financial market legislative proposals before they are submitted to COREPER and ECOFIN. The working party thus covers a wide range of topics, which vary according to the current stage of negotiations regarding a particular legislative proposal and in case any new proposals are published. Experts from each EU Member State attend the meetings of this working party. The party is chaired by a representative from the country currently holding the Presidency. Member States are represented by their financial attachés particularly during later phases of the discussion on proposals.

In 2022, meetings were held on proposals for the review of the Solvency II Directive, the directive governing the recovery and resolution framework for insurance and reinsurance undertakings, the European Green Bond Regulation, the Cryptoasset Markets Regulation, the regulation on the digital resilience of financial institutions, the regulation on instant payments, and the review of the Central Securities Depositories Regulation, the regulation and directive implementing the Basel III international standard, the proposal to create a single European access point providing centralised access to publicly available information on financial services, capital markets and sustainability, the review of the European Long-Term Investment Fund Regulation, the review of the Alternative Investment Fund Managers Directive and the review of the Markets in Financial Instruments Regulation and Directive.

Working Party on Consumer Protection and Information (G.23)

The Working Party on Consumer Protection and Information is one of the EU Council's preparatory bodies. It discusses the Commission's relevant consumer protection legislative proposals before they are submitted to COREPER and COMPET. The working party thus covers a wide range of topics, which vary according to the current stage of negotiations regarding a particular legislative proposal and in case any new proposals are published. In the Czech Republic, some topics are covered by the Ministry of Industry and Trade and others by the Ministry of Finance. The meetings of this working party include the participation of experts from the individual EU Member States. The party is chaired by a representative from the country currently holding the Presidency. Member States may be represented by their financial attachés particularly during later phases of the discussion on proposals. In 2022, on the agenda managed by the Ministry of Finance, negotiations were held on the proposal for a new directive on consumer credit, with a general approach of the EU Council being reached in June and a political agreement struck with the European Parliament in December. The file was then agreed after trilogues in the spring of 2023. Furthermore, a new directive on distance contracts for retail financial services was presented in May 2022 and subsequently negotiations on it were opened and were successfully completed after trilogues in the spring of 2023.

More information on the individual proposals discussed can be found in Chapter 9.3.

European Council

The European Council (EC) is the European Union's body and comprises the highest representatives from the Member States (heads of state and prime ministers), the President of the EC and the President of the Commission. The EC meets at least four times a year and defines the general political directions for the EU. The EC does not perform any legislative functions. The outcomes of a meeting are the EC conclusions. Their purpose is to identify specific issues that are important for the EU, and to outline specific measures to be adopted or objectives to be achieved. The EC conclusions may also set a deadline for reaching agreement on a certain matter or for presenting a legislative proposal. The EC may thus influence the EU's political agenda and determine its direction. The EC has a permanent president (this office is currently held by Charles Michel); however, neither the permanent president nor the Commission President participates in EC voting. Decision-making of the EC takes place, with a few exceptions, through consensus. After each of its meetings it is obliged to submit a report on its meeting to the European Parliament. The EP also receives an annual written report prepared by the EC regarding the progress achieved by the EU (this will be discussed by both the Council of the EU and the European Parliament).

The Council meetings in 2022 were heavily influenced by the military conflict in Ukraine, with the financial market being most affected by the sanctions imposed on individuals and the measures taken to reduce energy dependence, which were primarily intended to have a bearing on the operations of the energy derivatives markets. These measures include the expansion of accepted hedging methods and better use of trading break mechanisms or price bands, as well as the adaptation of the temporary state aid framework. In April 2022, EU leaders also agreed on a statement expressing their support for a stronger euro on the international scene and for a strong, competitive and resilient European financial sector; they also made sure to mention their support for the protection and reinforcement of the resilience of financial market infrastructure. In June 2022, the Council adopted a recommendation for Croatia to join the euro area on 1 January 2023. In the same month, the Euro Summit welcomed the Eurogroup's statement on the future of the banking union, which noted that work on the banking union should focus primarily on strengthening the common framework for bank crisis management and national deposit insurance schemes. On this premise, they called on the Commission to put forward legislative proposals that would allow the strengthening of the framework to be completed before the end of the current institutional cycle. Leaders welcomed the Eurogroup's commitment to identify, in an inclusive format and subsequently by consensus, possible future measures with regard to other outstanding elements in order to consolidate and complete the banking union and called for intensified efforts to deepen the capital markets union. On this occasion, leaders also acknowledged the progress made in the corresponding legislative work.

9.2 Ministry of Finance's Activities at the International Level

OECD

The Organisation for Economic Co-operation and Development is an intergovernmental organisation of the worlds' thirty-eight[63] *most developed countries, which have all adopted the principles of democracy and a market economy. The OECD was established in 1961 through the transformation of the Organisation for European Economic Co-operation (OEEC). The OEEC was originally established in 1948 to help administer the post-war Marshall Plan. The main objectives of the OECD include policy coordination for the long-term economic development of member and non-member countries. The OECD coordinates the cooperation of its members in the sphere of economic and social policy negotiates new investments, and because the OECD brings together economically the most important countries in the world, it also has an important role to play in promoting the liberalization of international trade. The OECD's objectives are to facilitate further economic development; to suppress unemployment; and to stabilise and develop the international financial markets. The most important bodies within the OECD structure include the Council comprising the ambassadors from the OECD member states, the Executive Committee, the Secretariat led by the Secretary – General, and several expert committees.*

[63] In January 2022, the OECD Council decided to open accession negotiations with six candidate countries for membership – Argentina, Brazil, Bulgaria, Croatia, Peru and Romania.

Some of the OECD's activities transcend the national boundaries of its member states. The International Network on Financial Education (INFE) is only one example. It consists of 132 countries.

Committee for Financial Markets (CFM)

The CFM is the OECD's main body involved in financial market issues. It provides a platform for discussing the trends in financial markets and the relevant measures for enhancing their functioning both in individual countries as well as at the broader supranational level. The members of the CFM consist of representatives from the finance ministries, central banks, and other regulatory and supervisory authorities. Representatives from international financial institutions, such as the International Monetary Fund, the World Bank, and the Bank for International Settlements in Basel, also participate in the committee's meetings, along with representatives from associated emerging economies. The CFM therefore facilitates a geographically broader platform for debate and sharing of experience than is provided by other mechanisms, such as discussions among EU Member States. A very specific characteristic of the committee's activities is the regular meetings with representatives from the private financial sector, at which important topics of common interest to both the public sector and the private sector are discussed, particularly developments about trends in the global financial markets and other current topics.

In 2022, several meetings – held not only via teleconferences, but also, after the COVID-19 pandemics , in person – focused mainly on OECD activities in sustainable finance (including the impact of biodiversity on the financial sector and reporting on the transition to carbon net zero economy) and digitalisation (especially artificial intelligence and decentralised finance). Important topics at the meetings included developments in global financial markets amid rising inflation and increasing monetary policy rates, and issues related to non-bank providers of residential real estate financing.

Committee on Financial Markets' Experts Group on Finance and Digitalisation

The EGFD is an expert group that focuses on decentralised finance and the cryptoasset market, selected aspects of central bank digital money, approaches in the development of open finance and other topics related to the digital transformation of the financial market. The OECD team in charge of the EGFD for the Czech Republic is preparing a study on the potential of data in financial services, to be conducted between May 2022 and June 2023 with the support of the Commission via the Technical Support Instrument.

Advisory Task Force on the OECD Codes of Liberalisation (ATFC)

The Advisory Task Force on the OECD Codes of Liberalisation was established in 2012 with the aim of finding solutions to reap the benefits of capital flows while mitigating the risks associated with their volatility in a shifting global financial system. The OECD Code of Liberalisation of Capital Movements, to which 38 countries have signed up, including twelve G20 countries, is a multilateral agreement between the parties that addresses openness, transparency and international cooperation across the full range of cross-border capital flows. Since 2012, non-OECD countries have also been able to follow the codes, and a review of these instruments was approved in 2019. ATFC meetings are attended by government experts from OECD countries (including some members of the OECD Investment Committee, the OECD Financial Markets Committee and the IPPC) and non-OECD countries, and experts from relevant international organisations, such as the IMF and the WTO. Discussions in 2022 mainly focused on national financial market measures with a potential impact on capital flows and certain other issues related to capital flow liberalisation rules.

Insurance and Private Pensions Committee (IPPC)

The IPPC is the main OECD body addressing insurance market issues, the supervision of the insurance sector, and private pension issues, i.e. non-public pension security schemes.[64] The IPPC contributes to international cooperation, coordination, and a higher level of compatibility with regard to the regulation of the aforementioned sectors of the financial market. The committee comprises of representatives from the finance ministries and those state administration authorities who are responsible for the insurance sector and private pensions. Meetings are also attended by representatives of the supervisory bodies of OECD member states. Open meetings are also attended by market or trade union representatives. In 2022, the committee met twice. At its June meeting, it particularly discussed the implications of the military conflict in Ukraine on the insurance market and the topic of catastrophic risks, including the impact of climate change. The December IPPC meeting returned to climate risks and the building of financial resilience in the face of these risks, the filling of insurance gaps, including methodology for assessing and measuring these gaps, and the role of digitalisation

[64] The topic of private pensions is dealt with by the WPPP under the IPPC.

in the insurance industry. The committee also reported on global insurance market trends based on OECD data harvesting.

Working Party for Private Pensions (WPPP)
The WPPP addresses topics similar to those covered by the IPPC, but places a greater emphasis on the sector of pension funds, their asset managers, and the participants in private pension schemes (both individual and occupational pension schemes). The committee met twice in 2022. It addressed, among other things, processes for establishing mortality and life expectancy models for use by regulators and supervisors, the role of employers in pension schemes and how they can be involved, the topic of lifetime non-guaranteed retirement income schemes, the mapping of financial needs in retirement as part of the "retirement income journey" project, the implementation of the recommendations for the proposal of defined-contribution pensions, the experience gained from the implementation work in countries where pension schemes have been developed, the review of the OECD recommendations on key principles for the regulation of pension systems, and the work programme for the period ahead.

Task Force on Financial Consumer Protection (TFFCP)
The objective of the TFFCP is to prepare international standards for consumer protection on the financial market, particularly as regards the supervisory architecture, the rules for dealing with customers, the resolution of consumer disputes, financial education, and financial inclusion. These high-level principles are reflected, to a considerable degree, by examples of regulatory practices already functioning in the EU. However, the process also acts retroactively as a model for fledgling regulation (particularly for the OECD countries that are not EU Member States). In 2022, the task force considered a review of the aforementioned principles of consumer protection in the financial market, a review of access protocols, a consumer risk report, and the issue of the digitalisation and sustainability of financial services.

International Network on Financial Education (INFE)
The International Network on Financial Education is a platform including the institutions of not only the OECD member states (as a rule, the finance ministries and central banks). Its role is to create global strategy documents. The network's website[65] provides a gateway to information about financial education and data, resources, research, and reports. The MoF has been an INFE member and national coordinator since the network's establishment in 2008. In 2022, works have begun on the joint OECD/EU financial competence framework for children and youth. It is intended to become a non-binding standard of financial literacy for students in the EU. This document was developed by adapting and the OECD framework to the needs of the EU. In particular, new additions are being made in the areas of sustainability and digitalisation.

A significant milestone in 2022 was the adoption of the revised and updated High-Level Principles on Financial Consumer Protection. In the same year, the financial literacy and sustainable finance working group was launched with a mandate to collect data and analyse the challenges faced by consumers in this area. The work of the digital financial literacy working group continued, covering both the use of digital tools and access to digital financial services and potential exclusion.

The INFE also explored how to support seniors to ensure financial well-being in later life, improvements in financial literacy in the workplace, and evaluations of national financial education strategies. In light of the COVID-19 pandemic, vulnerable population groups and financial resilience have emerged as issues. In 2022, the INFE continued to work on the inclusion of women, young people and SMEs.

G20

The G20 brings together the finance ministers and the central bank governors from nineteen countries and the EU (which is represented by the presiding member state and the ECB). The G20 was established in 1999 as a forum in which the leading world economies are able to exchange their opinions regarding key issues related to the global economy. The Czech Republic is not a member of the G20 but is de facto represented by the representative of the European Union.

In 2022, G20 leaders met for a two-day summit hosted by the Indonesian G20 presidency in Bali, where the main theme was "Recover Together, Recover Stronger". The group's deliberations resulted, inter alia, in the following conclusions, where leaders:

- welcomed progress towards a milestone on the G20 Roadmap for Enhancing Cross-Border Payments and supported quantitative global targets to address cost, speed, transparency and access issues by

[65] https://www.oecd.org/finance/financial-education/

2027 as set out in the Financial Stability Board (FSB) report;

- committed to delivering properly framed, planned and communicated policies to support sustainable recovery, taking due account of the circumstances of individual countries and mitigating the consequences, with a view to promoting strong, sustainable, balanced and inclusive growth;
- declared on behalf of the G20 central banks that they were firmly committed to achieving price stability in line with their mandates;
- reaffirmed their commitment to strengthening the long-term financial resilience of the international financial architecture, including by promoting sustainable capital flows and developing capital markets in local currencies, while welcoming the IMF's revised institutional view on the liberalisation and management of capital movements;
- stressed the need, in the face of a more challenging global economic and financial outlook, to strengthen the resilience of the global financial system and called on the FSB and the IMF to continue their monitoring efforts, and further committed to maintaining global financial stability, including through continued policy coordination and the application of international standards;
- welcomed the ongoing work of the FSB and international standard setters to ensure the monitoring and robust regulation, supervision and oversight of cryptoassets, including stablecoins, and to mitigate potential risks to financial stability; they welcomed the FSB's proposed approach to developing a comprehensive international framework for the regulation of cryptoasset activities based on the principle of "same activity, same risk, same regulation"; and
- called on the international community to step up its efforts to tackle money laundering effectively.

FSB

The creation and functioning of the Financial Stability Board (FSB) is closely linked to the G7 and G20. The FSB's immediate predecessor, the Financial Stability Forum (FSF), was established by the G7 in 1999. In April 2009, the Financial Stability Board was established on the initiative of the G20. In addition to promoting financial stability, it focused on promoting reforms in financial regulation and supervision. In practice, the transformation of the FSF into the FSB expanded the number of member countries participating in the work of this body to include institutions from G20 countries. Individual countries are represented on the FSB by bodies that aim to maintain financial stability (ministries of finance, central banks, supervisory and regulatory authorities). In addition, international financial institutions (the BIS, IMF, OECD, and World Bank) and international standard-setting bodies (the Basel Committee on Banking Supervision, Committee on Payment and Settlement Systems, Committee on the Global Financial System, IASC, IAIS, and IOSCO) attend meetings.

In order to ensure the global reach of the FSB, six Regional Consultative Groups (RCGs) have been established. The Czech Republic is represented in RCG Europe.

In 2022, representatives from member countries met regularly both at the FSB (plenary) level and within the individual Regional Consultative Groups. The Regional Consultative Group for Europe discussed global and regional vulnerabilities to the financial system and their potential impact on European economies, addressing the climate-related financial risks, including their supervision and regulation, and the links between traditional financial markets and cryptoasset markets, including the potential risks to financial stability associated with them.

Priorities for the FSB work programme in 2022 included promoting international cooperation and coordination on topical financial stability issues, enhancing the resilience of the non-bank financial intermediation sector, enhancing the efficiency of cross-border payments, harnessing the benefits of digital innovation while containing its risks, and addressing the climate-related financial risks.

In the context of the military conflict in Ukraine and its economic impact, the FSB has intensified its monitoring and assessment of emerging risks to global financial stability and, in the aftermath of the receding COVID-19 pandemic, has explored strategies to end or modify emergency economic support measures while supporting the financial system's ability to fund strong and globally equitable GDP growth. In relation to the strengthening of the non-bank financial intermediation sector's resilience, the FSB published a report on the links between US dollar funding and external vulnerabilities in emerging market economies, proposing a number of measures to reduce the vulnerabilities of these economies arising from external and non-bank funding. The FSB also analysed the liquidity, structure and resilience of sovereign debt markets in selected countries and assessed the effectiveness of its recommendations on liquidity mismatches in open-ended investment funds. As part of the initiative to improve cross-border payments, the FSB has worked to establish a framework for monitoring progress towards the quantitative targets of the plan adopted to make cross-border payments cheaper, faster, more transparent and more accessible. The FSB, seeking to harness the benefits of digital innovation, published a comprehensive set of proposals to promote consistency and comprehensiveness in approaches to the regulation and supervision of cryptoasset activities and markets, and proposed modifications to its earlier recommendations on the regulation and supervision of global stablecoins. In terms of responding to climate-related financial risks, the FSB issued recommendations for supervisors and regulators on the monitoring, management and mitigation of cross-sectoral and systemic risks arising from climate change with a view to promoting consistent approaches across sectors and jurisdictions in this field. The FSB also monitored the progress that companies had made in disclosing climate-related financial information.

In the context of crisis resolution, in 2022 the FSB addressed the sources of resolution funding for insurers and how to identify and assess financial and operational intra-group interconnectedness in resolution planning for insurers. In addition, the FSB released the results of an analysis of existing financial resources and tools for central counterparty recovery and resolution and assessed the progress made by member jurisdictions in implementing reforms related to resolution in the banking sector, financial market infrastructure and insurance. In other areas of the FSB's work, reports were published on the progress made in the transition from LIBOR to overnight risk-free interest rates and the finalisation and implementation of the reforms on over-the-counter (OTC) derivatives markets adopted by the G20 following the global financial crisis.

BCBS

The Basel Committee on Banking Supervision (BCBS), operating within the Bank for International Settlements (BIS), is the main body setting standards for the regulation of banks globally. It also serves as a forum for cooperation on banking supervision matters. In addition, the Committee develops banking supervision standards and recommendations. The best-known standards are the International Standards on Capital Adequacy and the Basel Core Principles for Effective Banking Supervision. BCBS standards are not formally binding, but are respected and implemented in the national legislation of many countries, not just member states. In addition, the Committee focuses on improving cooperation and regular exchanges of information in the field of banking supervision. The BCBS was created by the central banks of the G10 countries in 1974. Its 45 members include central banks and supervisory authorities from 28 countries. It also consults within a broader group called the Basel Consultative Group, which includes representatives of other non-member countries, including the CNB. The Czech Republic is not a member of the BCBS, but is de facto represented by the representative for the European Union.

In 2022, the BCBS agenda focused on monitoring progress in the timely and consistent implementation of Basel III standards, assessing the effectiveness of banking sector reforms adopted in the aftermath of the global financial crisis, and developing measures and supervisory assessments of emerging risks and vulnerabilities to the global banking system.

Besides its periodic review of the impact that the implementation of Basel III standards has had on banks and its assessment of the state of play in their implementation in individual jurisdictions, the BCBS also published an assessment report presenting an in-depth analysis of capital buffers usability and cyclicality in the Basel framework. It also ran, for the first time, a comprehensive evaluation of the impact and efficacy of the Basel III reforms since their introduction, in terms of whether they have met their intended objectives of increasing bank resilience and reducing systemic risk, and the potential for unintended effects.

In the development and revision of international standards, at the end of 2022, the BCBS issued the final version of the standard on the prudential treatment of banks' exposures to cryptoassets, effective from 1 January 2025.

In its newsletters, the BCBS reported on its ongoing internal discussions on credit risk issues related to the impact of the COVID-19 pandemic, credit risk in real estate financing and leveraged lending, and third- and fourth-party risk management issues, including the associated concentration risk. The BCBS has also published its reflections on the introduction of positive cycle-neutral countercyclical capital buffer rates and the potential implications of interlinking between banks and the non-bank financial intermediation sector. It also published its views on the benefits of artificial intelligence and machine learning (AI/ML) for banks and supervisors, and considerations on proportionality, with a view to providing practical support to supervisors in their efforts to introduce proportionality into their national regulatory and supervisory frameworks without undermining financial stability.

In addition to the activities outlined above, the BCBS issued the principles for the effective management and supervision of climate-related financial risks, which are designed to improve banks' practices in managing these risks and supervisors' approaches to this matter. It also contributed to a report on the review of margining practices, which serves as a basis for the FSB's agenda for enhancing the resilience of the non-bank financial intermediation sector, and issued answers to frequently asked questions on climate-related financial risks to clarify how these risks can be reflected in the current Basel framework.

9.3 European Financial Market Legislation

European Deposit Insurance Scheme (EDIS)
In November 2015, the Commission published a proposal for a regulation supplementing the Single Resolution Mechanism Regulation (SRMR)[66] with a view to establishing a European Deposit Insurance Scheme (EDIS). The system created is intended to complement the existing pillars of the banking union, increase depositor protection across participating countries, strengthen financial stability, and gradually reduce the problematic link between banks and national governments. The EDIS proposal should apply to deposit guarantee schemes in Member States participating in the banking union and to credit institutions associated with them. Based on the EU Council conclusions from June 2016, work on EDIS continued on a purely technical level, but by 2022 technical discussions on EDIS had stalled and its implementation is uncertain due to the persistent disagreements between Member States.

The agreement reached by Member States' leaders in June 2022 on the roadmap for the completion of the banking union called on the Commission to publish at least follow-up legislative proposals on bank crisis management and on the deepening of the harmonisation of national deposit insurance schemes. However, these proposals are not expected to include even an initial form of EDIS.

Digital Finance Package
In September 2020, the Commission released the Digital Finance Package, which includes four legislative proposals: a proposal for a regulation on markets in cryptoassets (MiCA); a proposal for a regulation on digital resilience of financial institutions (DORA); a proposal for a regulation on a pilot regime for market infrastructure based on distributed ledger technology (DLT) (Pilot Regime Regulation); and a proposal for an amending directive in response to the adoption of the proposals for the DORA, MiCA and Pilot Regime Regulations. The package also includes two non-legislative measures: the Retail Payments Strategy and the Digital Finance Strategy.

The MiCA proposal is a comprehensive piece of legislation regulating the treatment of cryptoassets. This regulation distinguishes three groups of cryptoassets, with the issuers or entities offering these cryptoassets being subject to specific rules that reflect the riskiness of cryptoassets and should increase client protection. The proposal also includes rules applicable to entities that provide services related to the issuance, offering or acceptance of cryptoassets for trading, including rules to prevent market abuse. Entities providing crypto-assets services (e.g. exchange crypto-assets for funds, wallets) will have to be licensed.

The EU Council's mandate for negotiations with the European Parliament was approved in November 2021, with trilogues starting in the spring of 2022. The French Presidency reached a provisional political agreement on the proposal in the trilogues in June 2022. The Czech Presidency subsequently held almost 20 technical meetings (technical trilogues) with the European Parliament and the Commission. In October 2022, a compromise text was formally approved by COREPER and, in the same month, the regulation was approved by the ECON Committee. The final text of the proposal, including legislative and technical revisions and translations, was formally approved by the European Parliament in April 2023, and endorsed by the EU Council in May 2023. Publication of the proposal in the Journal is expected ahead of summer 2023.

DORA is a comprehensive regulation on digital resilience for financial institutions, with a focus on preventing and addressing cyber risks. It is intended to replace sectoral digital resilience arrangements under individual EU directives and regulations in relation to financial institutions with a single directly effective omnibus piece of legislation. DORA is planned to stand alongside the current regulation of individual financial institutions, auditors and audit firms and will establish a uniform approach to operational risks arising from the use of information technology, the duty to notify supervisory authorities in the event of significant incidents (reporting), and ICT risk testing. It will also regulate the relationship with ICT services providers and introduce the oversight of critical ICT service providers. Last but not least, the regulation promotes the sharing of cyber threat information among

66 Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended.

financial institutions, and between financial institutions and supervisory authorities. The final text of the regulation was published in the Journal in December 2022.[67]

The DLT Pilot Regime Regulation, published in the Journal in June 2022,[68] contains special arrangements for central securities depositories and multilateral trading facilities allowing trading in DLT transferable securities. This is a special arrangement for a time-limited pilot regime of not more than six years from the granting of the authorisation. Under the pilot regime, such persons may apply for predetermined exemptions from current European rules. The regulation sets out the conditions for the granting, amendment and revocation of permits, as well as rules governing exemptions, additional obligations and corrective measures. There are also rules on the operation and supervision of DLT market infrastructure. In addition, it covers cooperation between DLT market infrastructure operators, supervisory authorities and the ESMA.

The amending directive responds to the adoption of the proposals for the DORA, MiCA and Pilot Regime Regulations by making the necessary amendments to several directives. Specifically, these are the Statutory Audit Directive, the UCITS Directive, the Solvency II Directive, the AIFMD, the CRD, the MiFID II Directive, the PSD II Directive, and the IORP II Directive. The directive requiring the most extensive change is MiFID II. The purpose of the changes made is to harmonise requirements in order to secure financial institutions' systems against cyber-attacks across the financial market. The requirements will now be based on the DORA Regulation, i.e. they will not be regulated separately in each piece of legislation. Some of the current incident reporting will be removed from PSD II to DORA. The amending directive was discussed in tandem with the DORA Regulation and was published in the Journal in December 2022.[69]

Sustainable Finance (SusFin)

The aim of the European sustainable finance initiatives is to safeguard the long-term competitiveness of the EU economy by integrating environmental, social and governance factors (ESG) into economic processes and transitioning to a low-carbon circular economy that makes more efficient use of resources. In 2022, the Commission continued to implement its Renewed Strategy of June 2021, which sets out the Commission's policy plan for the term of office under the leadership of Ursula von der Leyen. This is a non-legislative document in the form of a Commission communication.

The supplementation of sustainable finance legislation in 2022 mainly covered the adoption of the Corporate Sustainability Reporting Directive (CSRD),[70] the negotiation of the Corporate Sustainability Due Diligence Directive (CSDDD),[71] the progress in the legislative process of the EuGB Regulation and the aforementioned drafting of technical criteria missing under the MSEG Taxonomy Regulation.

Going forward, it is expected that the Commission's analysis on the SFDR[72] will be published at the end of the current Commission's mandate (i.e. June 2024) and that an amendment to the SFDR will be presented to coincide with the start of the next Commission's mandate. The main focus is now on finalising the current legislative proposals and ensuring that they work, while monitoring them in practice.

Consumer Credit Directive (CCD2)

In June 2021, the Commission published a proposal for a new Consumer Credit Directive (CCD2) to replace the existing CCD.[73] According to the Commission, the proposal should respond in particular to digitalisation in financial services, new forms of lending – lending between individual consumers via a platform (crowdfunding), and Member States' different approaches to assessing the creditworthiness of consumer credit applicants.

67 Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011.

68 Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 on a pilot regime for market infrastructures based on distributed ledger technology, and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU.

69 Directive (EU) 2022/2556 of the European Parliament and of the Council of 14 December 2022 amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU, 2014/65/EU, (EU) 2015/2366 and (EU) 2016/2341 as regards digital operational resilience for the financial sector.

70 Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

71 Proposal for a Directive of the European Parliament and of the Council of 23 February 2022 on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937.

72 Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

73 Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC, as amended.

The implications of the COVID-19 pandemic were also to be taken into account. The directive was to remain in the maximum harmonisation framework and be transposed within 24 months of its publication. In particular, the proposal extended the scope of the existing regulation to include the provision of crowdfunding credit services and also newly applied to loans below EUR 200, interest-free loans, operating leases, authorised overdrafts, and short-term loans of up to three months with minimal fees. The Commission also proposed introducing a new concept of an overview of key information (SECCO) and setting a new obligation for Member States to introduce a cap on the cost of credit, using at least one of the criteria of an interest rate cap, an APRC cap or a cap on the total cost of credit. Unlike the current legislation, the proposal specified in more detail the procedure to be followed by creditors when assessing the creditworthiness of a credit applicant and granted consumers the right to challenge the result of such an assessment if it was made on the basis of an automated data processing. There was also a new obligation for creditors to put in place mechanisms for leniency before initiating judicial recovery proceedings against defaulting debtors; this was meant to be a modification taken from the proposal for a directive on credit purchasers and credit servicers (the NPL Directive). Member States would also be required to ensure that consumers receive adequate financial education and accessible debt advice. Under the proposal, non-bank credit providers, their intermediaries and providers of crowdfunding credit services would be obliged to acquire the relevant operating permit and would be subject to supervision.

In June 2022, on a proposal from the French Presidency, COMPET endorsed the general approach. Compared to the Commission's original proposal, the main changes that were suggested related in particular to the scope of the directive (the removal of crowdfunding credit services, the exclusion of operating leases and deferred payments for goods and services with 90 days repayment period, the exclusion of all mortgages, the introduction of proportionality for free credit and certain other credit), price regulation (more general wording allowing Member States to use existing case law to comply with the obligation) and the implementation of the obligation to assess the creditworthiness of credit applicants. Under the Czech Presidency, trilogues were opened with the European Parliament, with the IMCO Committee as a negotiating partner.

Ultimately, three political trilogues and more than twenty technical trilogues were held during the Czech Presidency. The political negotiations culminated in agreement in key areas notably the scope, regulation of credit advertising, key information for borrowers, the so-called right to be forgotten when taking out credit insurance, and the assessment of the creditworthiness of a credit applicant. This agreement was subsequently confirmed in the final technical negotiations, which were formally concluded under the Swedish Presidency when the compromise text was approved by COREPER in April 2023. Compared to the Commission's proposal, crowdfunding credit services have been excluded and the scope has been clarified, in particular, for deferred payments and operating leases. Advertising regulation includes the introduction of borrowing-related warnings and a ban on certain advertising practices. In relation to the provision of pre-contractual information, the structure of the ESIP form is being changed, with provider and pricing information being moved to the start of the form. There was a major debate on creditworthiness assessments, culminating in the rejection of the Commission's and the European Parliament's proposal to grant exemptions, on social and health grounds, from the ban on lending to those customers who have a negative creditworthiness assessment. In addition, modifications were made which, compared to the Commission's original proposal, extend the discretion of Member States as to whether and how to implement certain rules under the directive. This mainly concerns the regulation of the procedure followed by creditors in the event of a consumer's default, as well as price regulation and penalties.

European Green Bonds (EuGB)

In July 2021, the Commission published a proposal for a regulation on European green bonds. This regulation would regulate conditions for the issuance of "European green bonds", setting out requirements for bond issuers wishing to use the European green bond or EuGB label for the environmentally sustainable bonds they offer to investors in the EU. Funds raised from European green bonds should be used to finance economic activities that have a lasting positive impact on the environment, which is to be ensured by following the requirements of the Taxonomy Regulation. The compliance of European green bonds with the regulation will be checked by external ESMA registered assessors. Any legal person, including a sovereign state, may issue European green bonds. The EU Council's general approach was agreed under the French Presidency in the first half of 2022. During the Czech Presidency, four political trilogues and around 20 technical meetings were held. However, agreement remained elusive because of persistent fundamental conflicts, particularly on the transparency requirements. This is because the European Parliament requested that, in addition to a robust voluntary standard, a minimum set of transparency obligations applicable to all issuers of any green bonds shall be included. The work of the Czech Presidency was continued by the Swedish Presidency, which was able to strike a provisional policy agreement in February 2023. Under that agreement, EuGBs remained a voluntary standard, with no general obligations imposed on issuers of other environmentally sustainable bonds. The European Parliament's requirement for a minimum set of transparency rules has been moved to a Commission delegated act, on the understanding that issuers of other environmentally sustainable bonds can choose whether or not to apply these standards.

Review of Solvency II

In September 2021, the Commission published a proposal for a directive amending the Solvency II Directive. This directive is a crucial legal instrument for the smooth functioning of the single market within the insurance sector. In particular, the review of Solvency II aims to provide better incentives for long-term sustainable financing of the national and EU economy, address a potential increase in systemic risk in the insurance sector, maintain a stable overall level of capital requirements for the insurance sector, ensure more effective application of the proportionality principle, adjust reporting requirements and improve the quality, consistency and coordination of supervision of insurance and reinsurance undertakings within a group and cross-border activities. In addition, the review considers modifications to existing exemptions from the scope of Solvency II and proposing a new concept of low-risk profile undertakings and low-risk profile groups in the context of proportionality.

Negotiations on the proposed review of the Solvency II Directive were opened in autumn 2021 under the Slovenian Presidency and continued in 2022 under the French Presidency. The final compromise proposal was discussed by COREPER in June and a general approach was thereafter approved by the ECOFIN Council. The European Parliament continues to debate the review of the Solvency II Directive as of May 2023. Trilogues are likely to commence under the Spanish Presidency in the second half of 2023.

The approval of the draft review of the directive is closely tied to the delegated act, which was discussed in parallel during CEGBPI meetings in 2022. Significant progress was made on measures related to long-term guarantees and long-term investments.

Recovery and Resolution of Insurance and Reinsurance Undertakings (IRRD)

In September 2021, the Commission published a proposal for a directive governing the framework for the recovery and resolution of insurance and reinsurance undertakings[74] (IRRD). The aim of the proposal is to establish a minimum harmonised framework for dealing with the consequences when an insurance or reinsurance undertaking is in financial difficulties. The establishment of harmonised policies and procedures will contribute to the timely and orderly resolution of an insurer's distress without disrupting the financial system or the real economy, while minimising the impact on insured persons. Minimum harmonisation, including the definition of a common approach to the basic components of recovery and resolution procedures, will eliminate current inconsistencies and facilitate cross-border cooperation. At the same time, Member States will be left room to adopt additional measures at national level, as long as these measures are compatible with the principles, minimum requirements and objectives set at EU level. The proposal for the directive is closely linked to the revision of the Solvency II Directive, in particular as regards the rules on prudential supervision.

In the second half of 2022, the Czech Presidency addressed issues unresolved during the French Presidency's seven meetings and, in the follow-up seven meetings held from July to December 2022, guided Member States towards a consensus on the objectives and general principles of resolution, scope, resolvability assessments, critical functions, recovery and resolution plans, resolution tools, and the funding thereof. The issue of the link with the Motor Directive and the review of the Solvency II Directive was also discussed. At the last meeting, agreement was reached on a compromise text.

The Czech Presidency presented a compromise proposal at the December COREPER meeting, where it was approved as an EU Council mandate for the subsequent trilogues. As with the Solvency II proposal, the European Parliament was still debating the IRRD proposal as of May 2023. Trilogues will be opened once the European Parliament's position is known, probably under the Spanish Presidency in the second half of 2023.

Basel III International Standards (CRR III/CRD VI)

In October 2021, the Commission published a proposal revising the Capital Requirements Directive and Regulation, known as CRD VI and CRR III. The proposal transposes into European law the remaining part of the international standard Basel III, which introduces, among other things, the new regulation of output floors

[74] Proposal for a Directive of the European Parliament and of the Council of 22 September 2021 establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2009/138/EC, (EU) 2017/1132 and Regulations (EU) No 1094/2010 and (EU) No 648/2012.

(designed to reduce the variability of capital requirements calculated on the basis of "internal models"), the treatment of a standardised approach to measuring credit risk (increasing the risk sensitivity of this approach), an internal-rating-based approach to credit risk measurement, the establishment of a minimum capital requirement for CVA risk (the treatment of derivative valuations taking account of counterparty credit risk), the setting of a minimum capital requirement for operational risk, and the regulation of the minimum capital requirement for market risk. The proposal also includes certain matters that go beyond Basel III, including the revision of macro-prudential instruments, the revision of the treatment of administrative penalties, the revision of supervisory powers, the treatment of sustainable finance in the context of ESG risks, regulation in the fit-and-proper field, and a change in the approach to third-country branches.

The proposal was presented to the EU Council in November 2021. In the first half of 2022, the French Presidency followed up with a series of expert meetings, culminating in the preparation of an initial compromise proposal. In October 2022, the Czech Presidency managed to find a compromise among all Member States on the text of the Basel III package, which was confirmed by the ECOFIN meeting in November as the EU Council's general approach. The European Parliament also commented on the proposal in early 2023. In January 2023, ECON agreed its position, which was subsequently approved by the plenary of the European Parliament as an official position in February 2023. The Swedish Presidency will continue the process of negotiating the package in trilogues with the European Parliament and the European Commission. The first political trilogue took place in March 2023.

Daisy Chain

In October 2022, the Daisy Chain Regulation,[75] which amends the CRR and BRRD and modifies the prudential and crisis frameworks so that they are consistent with each other as well as with international TLAC requirements, was published in the Journal. It also regulates the treatment of global systemically important institutions with a multi-entity resolution strategy so that the method of indirectly underwriting instruments eligible to meet the minimum capital requirement and eligible liabilities is comparable to the theoretical MREL set for a European controlling entity in the case of a single-entity resolution strategy. Entities domiciled outside the EU that would be subject to resolution if they were domiciled in the EU are also now taken into account within the MREL calculation.

Capital Markets Union (CMU)

In November 2021, the Commission published a package of further legislative proposals under the capital markets union (CMU) project, which aims to integrate capital markets. Four proposals were published as part of this legislative package: a proposal to create a single access point for information on undertakings (ESAP); a proposal for a review of the regulation governing European long-term investment funds (ELTIF); a proposal for a review of the Alternative Investment Fund Managers Directive (AIFMD); and a proposal for a review of the Markets in Financial Instruments Regulation (MiFIR).

Financial and corporate sustainability information is currently fragmented, appearing in many languages and on many platforms. These inefficiencies pose a barrier to cross-border investing. The Commission therefore proposed the creation of a European Single Access Point (ESAP) by ESMA. ESAP would bring together publicly available information on EU companies and investment products. The proposal is not intended to introduce any new information obligations in terms of content, but only to centralise and harmonise the format of data already published. The French Presidency secured approval of the EU Council mandate in June 2022, while the European Parliament's mandate was not approved until January 2023. Under the Swedish Presidency, negotiations were held in trilogues and a provisional agreement was approved at the end of May 2023, subject to confirmation by the EU Council and the European Parliament once all the details have been agreed. The ESAP is expected to be available in summer 2027 and data should be added to it in stages according to sectoral regulations.

The market in long-term investment funds (ELTIFs) is relatively small and underutilised. There are currently referred only about 57 funds, and these can be found in just four EU countries. The review of the regulation governing European long-term investment funds is primarily aimed at making investing in long-term investment funds more attractive. In particular, certain requirements regarding the offering of ELTIFs to professional customers are to be liberalised. The role of retail investors is also to be strengthened in order to encourage them to invest more in these funds. Specific changes relate to the expansion of the scope of eligible assets and

[75] Regulation (EU) 2022/2036 of the European Parliament and of the Council of 19 October 2022 amending Regulation (EU) No 575/2013 and Directive 2014/59/EU as regards the prudential treatment of global systemically important institutions with a multiple-point-of-entry resolution strategy and methods for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities.

investments, the introduction of more flexible rules for the operation of these funds (e.g. by allowing fund-of-funds and master-feeder investment strategies, by simplifying the rules on fund portfolio composition and risk diversification, or by modifying the rules on cash lending), and the reduction of excessive impediments to retail investors investing in this type of funds while maintaining their high level of protection. The EU Council approved the general approach in May 2022. The European Parliament's position was adopted in July 2022. During the Czech Presidency, the trilogues reached agreement on policy issues, notably sustainability, the extent to which product design rules should be loosened, and the protection of retail investors. The compromise text of the review of the ELTIF Regulation was approved by the EU Council in December 2022. In March 2023, the regulation was adopted and published in the Journal, and will take effect on 10 January 2024.

The aim of the review of the Alternative Investment Fund Managers Directive (AIFMD) is to increase the efficiency of financing by harmonising the legal framework for funds that provide loans to companies. The revised provisions are also intended to improve investor protection. This should be reflected, for example, in the fact that third parties to whom fund managers have delegated certain activities must comply with the same rules across the EU. The EU Council's general approach was adopted under the French Presidency in June 2022. However, the European Parliament's ECON committee did not adopt its position until January 2023. Political trilogues were held in March and May 2023.

The review of the Markets in Financial Instruments Regulation (MiFIR) is primarily expected to affect data. According to the Commission, only a market based on high quality market data can function well. The changes proposed in this context should increase transparency. Specifically, this involves new regulation of the "consolidated tape" (CT), a tool to ensure that EU trading data from trading systems, especially from regulated markets (exchanges), is collected, consolidated and distributed in one place. All investors, whether retail or professional, were to have access to consolidated data across EU markets, regardless of the financial instruments involved. One sticking point involved the receipt of payment for routing the flow of orders (PFOF). The Czech Presidency was able to achieve a balanced compromise and the EU Council's general approach was approved in December 2022. Trilogues are expected to start under the Swedish Presidency, but the European Parliament's position remains pending.

Review of the Central Securities Depositories Regulation (CSDR refit)

In March 2022, the Commission published a proposal for a regulation amending the Central Securities Depositories Regulation (CSDR).[76] This proposal for a regulation follows on from the Digital Finance package and is mainly related to the proposal for a regulation on a pilot regime for market infrastructures based on distributed ledger technology (DLT). The proposal for a regulation is intended to streamline settlement discipline and supervisory cooperation, and introduce supervisory colleges. The proposal for a regulation also streamlines the passporting scheme (cross-border provision of services), regulates third-country central depositories, and governs banking ancillary services. The French Presidency presented the proposal at a working group in May. Five working group meetings were held under the Czech Presidency. Among the subjects discussed were the replacement purchase set-up and the colleges, which proved to be the most problematic. In December 2022, at the end of the Czech Presidency, COREPER adopted the EU Council's mandate for negotiations with the European Parliament. Trilogues were initiated in April 2023.

Distance Marketing in Financial Services (DMFS)

In the context of consumer legislation, in addition to consumer credit, the Directive on Distance Marketing in Financial Services was also reviewed. The May 2022 proposal to review the directive sought to modernise the existing framework of rules, not only because of the need to adapt this long-standing horizontal legislation to product and technological innovations, but also in order to create a regulatory safety net for products that do not (yet) have their own sectoral standard or are excluded from its application. The potential set of such affected services is quite diverse – it includes various financial innovations (typically credit crowdfunding, so-called reverse mortgages) and common retail services such as operating leases, certain savings and deposit products, some non-life insurance, and also non-purpose mortgages secured by non-residential real estate.

In a new development, the regulation of this issue was no longer to be contained in a separate directive, but, in line with the Commission's proposal, was to be incorporated into a separate part of the (also horizontal) Consumer Rights Directive. This was to have the profound effect of changing the harmonisation regime to maximum harmonisation, which would have a number of consequences. This issue – together with questions of

76 Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012, as amended.

scope – generated the most debate among the Member States during the Czech Presidency. This was reflected in the drafts of the compromise text, i.e. the potential future general approach. The final draft of the compromise text during the Czech Presidency accommodated the request of the Member States to include the possibility of straightforward withdrawal from a contract by pressing a withdrawal button, not only for financial services, but also for all consumer services´contracts negotiated at a distance. During 2022, the Czech Presidency presented the Council's working group with several compromise proposals for a future general approach, which was then formally approved by the EU Council in March 2023. The legislative process has thus continued in 2023 by moving on to trilogues with the European Parliament which were successfully completed.

Instant Payments Regulation

In October 2022, the Commission published a proposal for a regulation amending the SEPA Regulation[77] and the Cross-Border Payments Regulation[78] and thus regulating instant payments in euro. The proposal aims to make instant euro payments available across the EU (365/24/7) within 10 seconds. According to Commission surveys, only 11% of euro payments within the EU are made as instant payments. The situation varies considerably among Member States, with some Member States close to 70% and others below 10%. The proposal should help to increase the number of instant payments made in euro and allow users to benefit from the advantages of such payments as an alternative to card payments or mobile apps. Instant euro payments will have to be offered by all payment service providers that currently offer euro payments. The fees for making instant euro payments must not be higher than for regular euro payments.

The proposal also envisages the introduction of the "IBAN check", i.e. the obligation to verify whether the IBAN (International Bank Account Number) matches the name of the payee that the payer provides when entering the payment order. In addition, the proposal foresees "sanction screening", i.e. checking whether the user to whom the instant payment is sent is not on the sanctions list. The proposal also establishes penalties for breaches of the regulation's obligations and sets deadlines for payment service providers to accept and send instant payments in euro, with significantly longer time limits for Member States outside the euro area.

Two working group meetings were held under the Czech Presidency and four under the Swedish Presidency. A compromise proposal was submitted in April 2023.

Listing Act Package

In December 2022, the Commission presented a proposal for a Listing Act Package consisting of a proposal for a directive to make capital markets more attractive,[79] a proposal for a regulation to make capital markets more attractive[80] and a proposal for a Directive on multiple-voting shares[81] (the latter proposal falls within the portfolio of the Ministry of Justice). The package aims to make it easier for small and medium-sized enterprises in particular to enter and remain on the capital market. The package seeks to simplify and harmonise the requirements for a prospectus, including exemptions from the obligation to publish a prospectus (amendments to the Prospectus Regulation), the regulation of the list of insiders and the regime for the publication of inside information, including possible sanctions for breach of the obligation (amendments to the MAR[82]), the introduction of a system of information and data sharing between national supervisory authorities (CMOBS) and the strengthening of cooperation between supervisory authorities (amendments to the MAR and MiFIR), the modification of the legal framework for investment research and the abolition of the unbundling rules (prohibition of bundled payments, amendment to the MiFID II Directive), and the modification of the free-float requirement (abolition of the Listing Directive and transfer of the relevant

77 Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009, as amended.

78 Regulation (EU) 2021/1230 of the European Parliament and of the Council of 14 July 2021 on cross-border payments in the Union (codification).

79 Proposal for a Directive of the European Parliament and of the Council amending Directive 2014/65/EU to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises and repealing Directive 2001/34/EC.

80 Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) 2017/1129, (EU) No 596/2014 and (EU) No 600/2014 to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises

81 Proposal for a Directive of the European Parliament and of the Council on multiple-vote share structures in companies that seek the admission to trading of their shares on an SME growth market.

82 Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, as amended.

provisions to the MiFID II Directive). The Listing Act Package has been the subject of EU Council working group meetings since January 2023.

9.4 National Financial Market Legislation

Capital Market

In 2022, the legislative process behind the legislative act amending certain financial market acts was completed, in particular in connection with the implementation of EU regulations relating to the capital markets union. The Government approved the bill in December 2020 and it was subsequently advanced to the Chamber of Deputies (Parliamentary document No 1117). The bill could not be debated before the parliamentary term ended. Therefore, in December 2021 an identical version of the bill was resubmitted to the Chamber of Deputies (Parliamentary document No 95), which approved it at first reading in March 2022. The bill was approved by the Senate in April 2022 (Senate document No 220) and subsequently promulgated as Act No 96/2022. The act included a revision of legal provisions on capital requirements for securities dealers. Thus far, securities dealers had been governed by capital requirements for banks, which was unnecessarily burdensome for most of them, and therefore the regime was simplified. Another area was legislation on covered bonds, which have yet to be harmonised at European level. Transposition into Czech law was rather minimalist as, for the most part, national legislation already satisfied the requirements of the directive. New legislation on the cross-border offering of collective investment funds, intended to make such investment much easier and more transparent, was also transposed into Czech law. The act also transposed regulations on sustainable finance, known as green finance and crowdfunding.

In June 2022, a draft transposing amendment to the Investment Companies and Investment Funds Act was submitted to the Chamber of Deputies (Parliamentary document No 238), which merely concerned the transposition of an amendment to the UCITS Directive (Directive 2021/2261). The amendment was intended to prevent the duplication of key information provided to investors in collective investment funds. The bill was passed by the Chamber of Deputies in February 2023 and subsequently by the Senate in March 2023 (Senate document No 61). The amendment was promulgated under number 106/2023 and was set to take effect on 1 May 2023.

In connection with the Government's adoption of the 2019–2023 Czech Capital Market Development Concept in March 2019, work started on an amendment that would implement legislative measures resulting from the Concept in the legal system. In 2022, the legislative process for a bill amending certain laws in connection with the development of the capital market (registered in the previous electoral period as Parliamentary document No 993) was restarted, this time without an amendment to the Investment Companies and Investment Funds Act, but with other areas added, particularly in the field of pension funds. The bill aims to introduce, in particular, a long-term investment product (formerly a long-term investment account or investment pension product) and an alternative participation fund. The long-term investment product should be a new product on the financial market and an alternative to existing financial products offering tax-assisted retirement savings, such as pension funds and life insurance. Like these products, it is intended to create savings for retirement. The new type of participation fund (an "alternative participation fund") is planned to serve as an alternative to existing dynamic funds. The fee policy for this type of fund should be set so loosely as to allow pension companies to invest, for example, in private equity fund assets, and to offer participants potentially higher returns, albeit accompanied by the higher risk attached to this investment. The bill also introduces a limited partnership for investment certificates. This sort of entity which will be able to create sub-funds. A proposal has also been made to mandate the use of the XML format for enforcement purposes, which should lead to a reduction in costs incurred by financial market participants when dealing with enforcement agents. In order to combat risky (fraudulent) bonds, the terms and conditions of issue of bonds without a prospectus (specifically issues up to EUR 1 million) are to be extended to include information on the issuer so that the investor can sufficiently assess the risk posed by the issuer and hence the whole issue (so far, the terms and conditions of issue, unlike the prospectus, have only contained information on the bond). The persons offering these bonds will publish the terms of issue on their websites. In addition, the Supplementary Pension Savings Act proposes measures to allow for greater mobility between transformed funds and participation funds and reviews the amount of the state contribution, derived from the amount of the contribution made by the participant. In 2022, interministerial consultation procedure was held, and in April 2023 the bill was referred to the government for debate.

Pan-European Personal Pension Product

In 2022, legislative work was completed on the draft of an adaptation law on pan-European personal pension products and amending related acts (the Pan-European Personal Pension Product Act). The bill was approved by the Government in January 2021 and was debated by the Chamber of Deputies as Parliamentary document No 1145. The legislative process was not completed by the end of the parliamentary term. Therefore, in November 2021 an identically worded bill was resubmitted to the Chamber of Deputies (Parliamentary document No 61), which passed it in March 2022. The Senate passed it (Senate document No 218) in April 2022. The act was then promulgated in the Collection of Legislative Acts under number 91/2022. The PEPP Regulation is binding in its entirety and directly applicable in all Member States. The legislation aimed to make the necessary adaptation to the legal order, in particular by designating a competent authority to exercise powers under the PEPP Regulation, defining professional competence requirements for the distribution of a pan-European personal pension product, adding certain information obligations, and defining the constituent elements of offences for breaches of the obligations under the Act and the PEPP Regulation, and fines and other measures. The subject of the PEPP Regulation was the introduction of a pan-European personal pension product. This made it possible to offer a harmonised long-term financial pension product with benefits, in particular, for EU citizens working in several Member States. The regulation seeks to create a more cost-effective and transparent market for voluntary pension savings managed on a pan-European scale. As it is not possible to interfere with the organisation of national pension systems, the introduction of the PEPP was not intended to replace or harmonise individual EU Member States' existing national pension systems. It is an additional supplementary personal pension product based on voluntary offer and voluntary participation that can be offered by a wide range of financial institutions. For example, insurance companies, banks, and investment companies are able to offer PEPPs, i.e. this can take the form of an insurance product, a deposit or an investment product.

Amendment to the Act on Payments

In 2022, the legislative process for a draft bill amending Act on Payments was completed. The draft was submitted to the Chamber of Deputies in May 2020 (Parliamentary document No 863), but it was not debated by the end of the parliamentary term and was therefore resubmitted in December 2021 as Parliamentary document No 68. The bill was passed by the Chamber of Deputies in March 2022 and by the Senate in May (Senate document No 232). The act was then promulgated in the Collection of Legislative Acts under number 129/2022. The changes were mainly a response to the adoption of the amendment to the Cross-Border Payments Regulation that seeks to deal with the expansion of the dynamic currency conversion (DCC). This involves currency conversion offered by ATM operators when users make cash withdrawals or by merchants when users pay by card. The service may be offered when payment is made in a currency other than the currency of the payment account, i.e. Czech citizens may use this service abroad, whereas in the Czech Republic it is offered to foreign tourists. The amendment to the Cross-Border Payments Regulation, laying down rules on how exchange rates should be presented, has been adopted as this service may not have been transparent enough for consumers. These rules need to be supervised and enforced, with the CNB supervising ATM operators, and the Czech Trade Inspection Authority supervising merchants. For operators of independent ATMs, the need to obtain a licence has been introduced so that the CNB supervises only entities that it also licenses.

The amendment also regulated the conditions under which authorisation is granted to small-scale payment service providers and small-scale electronic money issuers, and specified the rules governing the access of non-bank payment service providers to payment accounts maintained by banks. Administrative penalties have also been revised and some technical changes have been made that will contribute to the smooth application of the law. The amendment took effect on 1 July 2022.

Motor Vehicle Liability Insurance

In 2022, work began on a bill on motor third-party liability insurance and a bill amending certain laws in connection with the adoption of the Motor Third-Party Liability Insurance Act. The proposed legislation introduces some fundamental changes, such as a new definition of a vehicle for the purposes of liability, alternative liability insurance for organisers of motor racing or competitions, the transfer of the obligation to take out liability insurance from the owner of the vehicle to its operator, the abolition of proving liability insurance with a green card when operating a vehicle in the Czech Republic, along with the related simplification of registration when changes are made in the register of road vehicles, and an increase in the minimum limits of indemnification under insurance. The bills were submitted to the Government in April 2023.

9.5 Non-Legislative Financial Market Activities of the MoF

Financial Education

The National Financial Education Strategy 2.0 (NSFV 2.0), approved by the Government in 2020, outlines the basic direction that financial education in the Czech Republic should take in the future. The Financial Education Working Group (FEWG) is involved in the execution of tasks deriving from NSFV 2.0. The FEWG's members are representatives from the public sector, representatives of professional associations operating in the financial market, entities that implement financial education projects (NGOs, consumer associations, debt advisory entities), representatives from the academic sector, and education experts. The Ministry of Finance manages the activities of this group and its working sub-groups. Another of the MoF's roles under NSFV 2.0 is to run the National Financial Education Projects Register and to coordinate the Global Money Week financial education event, which took place for the eleventh time in 2022 and was thematically focused on the development of skills for financial health. Pupils, students and teachers from hundreds of schools, as well as children and caregivers from dozens of children's homes, once again took part in Global Money Week activities across the Czech Republic, expanding their knowledge and skills in the world of finance through games, competitions, lectures and in-person meetings with practitioners.

The "Why get financially educated?" Portal

The Ministry of Finance continuously maintains a financial literacy guidance portal called "Financial Literacy or Why Get Financially Educated?" at https://financnigramotnost.mfcr.cz, which is designed for the general public and professionals alike. The portal provides a single point of access for information on the functioning and risks of the financial market, and on the system of financial education in the Czech Republic and abroad. The content includes: family finances, including the creation of a household budget; the structure, institutions and products of the financial market; the contact details of consumer and debt counselling services that provide free assistance in the event of disputes with financial market institutions or, for example, in a difficult life situation; dispute resolution, advice and instructions focused primarily on over-indebtedness, debt relief and enforcement; and links to interesting sites with projects, games and calculators in the Czech Republic and abroad. The National Financial Education Projects Register is also maintained on the portal. The Ministry also regularly uses the portal as a platform to report on its legislative and non-legislative activities in the field of consumer protection and financial education, as well as on the latest developments in related European legislation.

Capital Guide Portal

The MoF manages the "Capital Guide" information portal at https://www.kapitalovypruvodce.cz, which is designed for SMEs and informs them about opportunities to finance their business through the capital market via debt or equity instruments. At the launch of the website in April 2021, an online conference with three thematic workshops was held. A recording of this (including the workshops) is available on the "Kapitálový Průvodce" YouTube channel, where other videos from the website are also available (six company stories, two interviews with experts, an introductory video and an animation about the website). In 2022, a News section was added, with news items going back to May 2018. The portal gathers practical information on the work of the capital market and contact details for economic and legal advisers in one place. The website also includes a quiz to help visitors to determine the best way to finance their company. The website is regularly updated and the contact details are checked to make sure they remain up to date in response to input from the individuals involved and companies. The website is operated in both Czech and English (the videos have English subtitles). The launch of the website was funded by the European Commission under the Structural Reform Support Programme as a follow-up to the Report on Capital Markets Literacy in the Czech Republic from October 2019, which was also funded under this programme.

Preparation and Updating of Questions for the Professional Examination of Distributors of Financial Products

The Ministry of Finance, in cooperation with the CNB, is responsible for the preparation and updating of a set of questions for sectoral professional competence examinations – organised by accredited entities – for financial service distributors. The text of the questions is updated on an ongoing basis in response to identified suggestions and in close cooperation with sectoral professional associations. In 2022, questions in all regulated sectors, i.e. insurance, consumer credit and capital markets, were updated and added (including the addition of questions in relation to the PEPP Regulation) in response to input received from regulated entities (based on practical experience gained during the professional examinations) and legislative changes.

Innovation in the Financial Market

Since March 2021, the Ministry of Finance website has featured a monthly Innovation Bulletin which highlights the latest developments in the field of financial market innovation both in the Czech Republic and abroad. The website also alerts the public to upcoming webinars organised by the Ministry, current developments in the field of financial innovation, and progress in the regulation of the digital economy with implications for the financial market. In February 2022, the Ministry worked with the Embassy of the Czech Republic in Seoul to organise a Czech-Korean FinTech webinar focused on the development of open finance. Similarly, a FinTech webinar was held in April with the Taiwan Financial Supervisory Commission and the Taipei Cultural Office, during which Czech innovative companies were given the opportunity to present their products and services for the financial market. In 2022, the Ministry also launched a project to promote financial innovation and harness the potential of data in financial services, implemented by the Organisation for Economic Co-operation and Development (OECD) in partnership with the European Commission's Directorate-General for Structural Reform Support (DG REFORM). The Ministry also established an expert dialogue on financial innovation with the Financial Conduct Authority and the Slovak National Bank.

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LIST OF ACRONYMS AND ABBREVIATIONS

Abs.	absolute
AIFMD	Alternative Investment Fund Managers Directive
AI/ML	artificial intelligence and machine learning
AKAT	Czech Capital Market Association (Asociace pro kapitálový trh ČR)
APRC	Annual Percentage Rate of Charge
APS ČR	Association of Pension Management Companies of the Czech Republic (Asociace penzijních společností České republiky)
ARAD	Czech National Bank's time series database
a.s.	joint-stock company (akciová společnost)
ATFC	Advisory Task Force on the OECD Codes of Liberalisation
ATX	Austrian Traded Index
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlement
bn	billion
BoE	Bank of England
BoJ	Bank of Japan
BRRD	Bank Recovery and Resolution Directive
BSB	building savings bank
BSC	building savings contract
BUX	Budapest Stock Exchange Index
CCyB	countercyclical capital buffer
CEGBPI	Commission Expert Group on Banking, Payments and Insurance
CFM	Committee for Financial Markets OECD
CMOBS	cross-market order book surveillance mechanism
CMU	Capital Markets Union
CNB	Czech National Bank
CNY	Chinese yuan – International currency code
COMPET	Competitiveness Council
COREPER	Comité des Représentants Permanents
CR	Czech Republic
CRD	Capital Requirements Directive
CRF	Crisis Resolution Fund
CRR	Capital Requirements Regulation
CSDDD	Corporate Sustainability Due Diligence Directive
CSDP	Central Securities Depository Prague
CSDR	Central Securities Depositories Regulation
CZK	Czech koruna (crown) – International currency code
CZSO	Czech Statistical Office
D.3	Working Party on Financial Services and the Banking Union
DAX	Deutscher Aktienindex (German stock index)
DCC	Dynamic Currency Conversion
DIF	Deposit Insurance Fund
DLT	Distributed Ledger Technology
DMFS	Distance Marketing in Financial Services
DORA	Digital Operational Resilience Act
DSTI	Debt Service to Income
DTI	Debt to Income
EBA	European Banking Authority
EBC	European Banking Committee
EC	European Council
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
ECON	Committee on Economic and Monetary Affairs
EDIS	European Deposit Insurance Scheme
EEA	European Economic Area

EFC	Economic and Financial Committee
EFTA	European Free Trade Association
EGESC	Expert Group of the European Securities Committee
EGFD	Experts Group on Finance and Digitalisation
EIOPA	European Insurance and Occupational Pensions Authority
EIOPC	European Insurance and Occupational Pensions Committee
ELTIF	European Long-Term Investment Funds
EMIR	European Market Infrastructure Regulation
ESAs	European supervisory authorities
ESC	European Securities Committee
ESG	Environmental, Social and Governance
ESIS	European Standardised Information Sheet
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
EU	European Union
EuGB	European Green Bond
EUR	Euro – International currency code
Euro Stoxx 50	Stock index tracking the performance of 50 blue-chip companies in the euro area
FA	Financial Arbitrator
FAC	Foreign Affairs Council
Fed	Federal Reserve System
FSB	Financial Stability Board
FSC	Financial Services Committee
FSF	Financial Stability Forum
FTSE 100	Financial Times Stock Exchange 100 Index
G.23	Working Party on Consumer Protection and Information
G20	Group of the world's biggest economies represented by finance ministers and central bank governors
GBP	British pound – International currency code
GDP	Gross Domestic Product
GEGIFR	Government Expert Group on the Interchange Fee Regulation
GEGRFS	Government Expert Group on Retail Financial Services
GFOCP	Investor Compensation Fund (Garanční fond obchodníků s cennými papíry)
GSFT	Financial Market Guarantee System (Garanční systém finančního trhu)
HUF	Hungarian forint – International currency code
IAIS	International Association of Insurance Supervisors
IASC	International Accounting Standards Committee
IBAN	International Bank Account Number
ICT	Information and Communication Technologies
IFR	Interchange Fee Regulation
IMCO	Committee on the Internal Market and Consumer Protection
IMF	International Monetary Fund
INFE	International Network on Financial Education
IORP	Institutions for Occupational Retirement Provision
IOSCO	International Organization of Securities Commissions
IPPC	Insurance and Private Pensions Committee
IRRD	Insurance Recovery and Resolution Directive
JERRS	Regulated institutions and registered financial market entities lists published by the CNB
JPY	Japanese yen – International currency code
LIBOR	London Inter-bank Offered Rate
LTV	Loan to Value
MAR	Market Abuse Regulation
MCD	Mortgage Credit Directive
MiCA	Markets in Crypto-Assets
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
ML	mortgage loan

mn	million
MMFR	Money Market Funds Regulation
MNB	Magyar Nemzeti Bank
MoF	Ministry of Finance
MREL	minimum requirement for own funds and eligible liabilities
MSCI ACWI	Morgan Stanley Capital International All Country World Index
MSEG	Member States expert group on sustainable finance
NBP	National Bank of Poland
Nikkei 225	Japanese Nikkei 225 Stock Average
NPLs	Non-performing loans
NSFV	National Financial Education Strategy (Národní strategie finančního vzdělávání)
O-SII	other systemically important institution
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
OTC	over-the-counter
O/N	overnight
p. a.	per annum
PAD	Payment Account Directive
pcs	pieces
PEPP	Pan-European personal pension product
PF	participation fund
PLN	Polish złoty – International currency code
pp	percentage point
PRIBOR	Prague Inter-bank Offered Rate
PS	working group
PSD II	Payment Service Directive
PSE	Prague Stock Exchange
PSFV	Financial Education Working Group (Pracovní skupina pro finanční vzdělávání)
PX	Primary PSE index
PX-GLOB	PSE index with wide base
PX-TR	PSE Total Return Index
RCGs	Regional Consultative Groups
RM-S	RM-SYSTÉM, česká burza cenných papírů a.s.
S&P 500	Standard and Poor's 500
SAX	Slovak Share Index (Slovenský akciový index)
SEPA	Single Euro Payments Area
SFDR	Sustainable Finance Disclosure Regulation
SusFin	Sustainable finance
SRMR	Single Resolution Mechanism Regulation
SSE Index	Shanghai Stock Exchange Composite Index
SyRB	systemic risk buffer
TF	transformed fund
TFFCP	Task Force on Financial Consumer Protection
Tier 1	The core capital of a credit institution that includes equity capital and disclosed reserves.
TLAC	Total Loss-Absorbing Capacity
UCITS	Undertakings for Collective Investment in Transferable Securities
US	United States
USD	United States dollar – International currency code
WG	working group
WIG 20	Warsaw Stock Exchange (Warszawski Indeks Giełdowy)
WP	working party
WPPP	Working Party on Private Pensions
yrs	years
2W	two-week
3M	three-month

APPENDIX 1: FINANCIAL MARKET LEGISLATION

The following changes were made to the financial market legislation of the Czech Republic and of European Union in 2022 (the content of Appendix 1 reflects the state as of 30 April 2023):

A1.1 Cross-Sectoral Financial Market Regulations

1) European legislation and other initiatives published in 2022:

- Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 on a pilot regime for market infrastructures based on distributed ledger technology, and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU;
- Regulation of the European Parliament and of the Council (EU) 2022/2036 of 21 July 2022 amending Regulation (EU) No 575/2013 and Directive 2014/59/EU as regards the prudential treatment of global systemically important institution groups with a multiple point of entry resolution strategy and a methodology for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities ("daisy chain");
- Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011;
- Council Regulation (EU) 2022/1269 of 21 July 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine;
- Council Regulation (EU) 2022/1904 of 6 October 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine;
- Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports;
- Commission Implementing Regulation (EU) 2022/365 of 3 March 2022 amending Implementing Regulation (EU) 2018/1624 laying down implementing technical standards with regard to procedures and standard forms and templates for the provision of information for the purposes of resolution plans for credit institutions and investment firms pursuant to Directive 2014/59/EU of the European Parliament and of the Council;
- Commission Implementing Regulation (EU) 2022/951 of 24 May 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2016/2070 as regards benchmark portfolios, reporting templates and reporting instructions to be applied in the Union for the reporting referred to in Article 78(2) of Directive 2013/36/EU of the European Parliament and of the Council;
- Commission Implementing Regulation (EU) 2022/2454 of 14 December 2022 laying down implementing technical standards for the application of Directive 2002/87/EC of the European Parliament and of the Council with regard to supervisory reporting of risk concentrations and intra-group transactions;
- Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting;
- Directive (EU) 2022/2556 of the European Parliament and of the Council of 14 December 2022 amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU, 2014/65/EU, (EU) 2015/2366 and (EU) 2016/2341 as regards digital operational resilience for the financial sector;
- Decision (EU) 2022/811 of the Single Resolution Board of 24 March 2022 on discharge in respect of the implementation of the budget and on the closure of the accounts of the Single Resolution Board ('SRB') for the financial year 2020 (SRB/PS/2022/03).

2) **Pending European legislation (including legislation published after 31 December 2022) and other initiatives of the European Commission:**
   - Proposal for a Regulation of the European Parliament and of the Council establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability;
   - Proposal for a Regulation of the European Parliament and of the Council amending certain Regulations as regards the establishment and functioning of the European single access point;
   - Commission delegated regulation (EU) 2023/662 of 20 January 2023 amending Delegated Regulation (EU) 2015/63 as regards the methodology for the calculation of liabilities arising from derivatives;
   - Proposal for a Directive of the European Parliament and of the Council amending certain Directives as regards the establishment and functioning of the European single access point;
   - Proposal for a Directive of the European Parliament and of the Council on credit agreements for consumers;
   - Proposal for a Directive of the European Parliament and of the Council amending Directive 2011/83/EU concerning financial services contracts concluded at a distance and repealing Directive 2002/65/EC;
   - Proposal for a Directive of the European Parliament and of the Council of 23 February 2022 on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937;
   - EBA submission of the draft regulatory technical standards under Article 9a (1) and (3) of Regulation (EU) No 1093/2010 setting up an AML/CFT central database (EBA-2021-D-3737).

3) **Acts that took effect in 2022:**
   - Act No 96/2022 Coll. amending some acts in the area of the financial market, especially in connection with the implementation of European Union legislation concerning the Capital Markets Union (in effect as of 29 May 2022).

4) **Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2022):**
   - none

5) **Secondary legislation:**
   - Official Information of the Czech National Bank No 3/2022 of 7 February 2022 setting an annual target level for contributions to the Resolution Fund for 2022.

A1.2 Capital Market Legislation

1) **European legislation and other initiatives published in 2022:**
   - Commission Delegated Regulation (EU) 2022/25 of 22 September 2021 supplementing Regulation (EU) 2019/2033 of the European Parliament and of the Council with regard to regulatory technical standards specifying the methods for measuring the K-factors referred to in Article 15 of that Regulation;
   - Commission Delegated Regulation (EU) 2022/26 of 24 September 2021 supplementing Regulation (EU) 2019/2033 of the European Parliament and of the Council with regard to regulatory technical standards specifying the notion of segregated accounts to ensure client money's protection in the event of an investment firm's failure;
   - Commission Delegated Regulation (EU) 2022/27 of 27 September 2021 amending Regulation (EU) No 236/2012 of the European Parliament and of the Council as regards the adjustment of the relevant threshold for the notification of significant net short positions in shares;
   - Commission Delegated Regulation (EU) 2022/76 of 22 September 2021 supplementing Regulation (EU) 2019/2033 of the European Parliament and of the Council with regard to regulatory technical standards specifying adjustments to the K-factor 'daily trading flow' (K-DTF) coefficients;
   - Commission Delegated Regulation (EU) 2022/244 of 24 September 2021 supplementing Regulation (EU) 2019/2033 of the European Parliament and of the Council with regard to regulatory technical standards specifying the amount of total margin for the calculation of the K-factor 'clear margin given' (K-CMG);
   - Commission Delegated Regulation (EU) 2022/352 of 29 November 2021 amending Delegated Regulation (EU) 2019/815 as regards the 2021 update of the taxonomy laid down in the regulatory technical standards on the single electronic reporting format;

- Commission Delegated Regulation (EU) 2022/466 of 17 December 2021 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council by specifying criteria for derogation of the principle that approved publication arrangements and approved reporting mechanisms are supervised by the European Securities Markets Authority;
- Commission Delegated Regulation (EU) 2022/629 of 12 January 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2017/583 as regards adjustment the liquidity thresholds and trade percentile used to determine the size specific to the instrument applicable to certain non-equity instruments;
- Commission Delegated Regulation (EU) 2022/749 of 8 February 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2017/2417 as regards the transition to new benchmarks referenced in certain OTC derivative contracts;
- Commission Delegated Regulation (EU) 2022/803 of 16 February 2022 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council by specifying rules of procedure for the exercise of the power to impose fines or periodic penalty payments by the European Securities Markets Authority regarding data reporting service providers;
- Commission Delegated Regulation (EU) 2022/804 of 16 February 2022 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council by specifying rules of procedure for measures applicable to the supervision by the European Securities Markets Authority of certain benchmark administrators;
- Commission Delegated Regulation (EU) 2022/805 of 16 February 2022 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council by specifying fees applicable to the supervision by the European Securities Markets Authority of certain benchmark administrators;
- Commission Delegated Regulation of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities;
- Commission Delegated Regulation (EU) 2022/930 of 10 March 2022 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council by specifying fees relating to the supervision by the European Securities Markets Authority of data reporting service providers;
- Commission Delegated Regulation (EU) 2022/1159 of 11 March 2022 supplementing Regulation (EU) 2019/2033 of the European Parliament and of the Council with regard to regulatory technical standards for public disclosure of investment policy by investment firms;
- Commission Delegated Regulation (EU) 2022/1299 of 24 March 2022 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the content of position management controls by trading venues;
- Commission Delegated Regulation (EU) 2022/1301 of 31 March 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2020/1226 as regards the information to be provided in accordance with the STS notification requirements for on-balance-sheet synthetic securitisations;
- Commission Delegated Regulation (EU) 2022/1455 of 11 April 2022 supplementing Regulation (EU) 2019/2033 of the European Parliament and of the Council with regard to regulatory technical standards for own funds requirement for investment firms based on fixed overheads;
- Commission Delegated Regulation (EU) 2022/1302 of 20 April 2022 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the application of position limits to commodity derivatives and procedures for applying for exemption from position limits;
- Commission Delegated Regulation (EU) 2022/1671 of 9 June 2022 extending the transitional period referred to in Article 89(1), first subparagraph, of Regulation (EU) No 648/2012 of the European Parliament and of the Council;
- Commission Delegated Regulation (EU) 2022/1855 of 10 June 2022 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards specifying the minimum details of the data to be reported to trade repositories and the type of reports to be used;
- Commission Delegated Regulation (EU) 2022/1858 of 10 June 2022 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards specifying the procedures for the reconciliation of data between trade repositories and the procedures to be applied by the trade repository to verify the compliance by the reporting

counterparty or submitting entity with the reporting requirements and to verify the completeness and correctness of the data reported;

- Commission Delegated Regulation (EU) 2022/1959 of 13 July 2022 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards setting out a contractual template for liquidity contracts for the shares of issuers whose financial instruments are admitted to trading on an SME growth market
- Commission Delegated Regulation (EU) 2022/2553 of 21 September 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2019/815 as regards the 2022 update of the taxonomy for the single electronic reporting format;
- Commission Implementing Regulation (EU) 2022/389 of 8 March 2022 laying down implementing technical standards for the application of Directive (EU) 2019/2034 of the European Parliament and of the Council with regard to the format, structure, content lists and annual publication date of the information to be disclosed by competent authorities;
- Commission Implementing Regulation (EU) 2022/1300 of 24 March 2022 amending Implementing Regulation (EU) 2017/1093 laying down implementing technical standards with regard to the format of position reports by investment firms and market operators;
- Commission Implementing Regulation (EU) 2022/1929 of 31 March 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2020/1227 as regards the templates for the provision of information in accordance with the STS notification requirements for on-balance-sheet synthetic securitisations;
- Commission Implementing Regulation (EU) 2022/1859 of 10 June 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) No 1248/2012 as regards the format for applications for registration as trade repositories and for applications for extension of registration as trade repositories;
- Commission Implementing Regulation (EU) 2022/1210 of 13 July 2022 laying down implementing technical standards for the application of Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to the format of insider lists and their updates;
- Commission Implementing Regulation (EU) 2022/1220 of 14 July 2022 laying down implementing technical standards for the application of Directive 2014/65/EU of the European Parliament and of the Council with regard to the format in which branches of third-country firms and competent authorities have to report the information referred to in Article 41(3) and (4) of that Directive;
- Commission Implementing Regulation (EU) 2022/1407 of 16 August 2022 correcting certain language versions of Implementing Regulation (EU) 2017/2382 laying down implementing technical standards with regard to standard forms, templates and procedures for the transmission of information in accordance with Directive 2014/65/EU of the European Parliament and of the Council.

2) Pending European legislation (including legislation published after 31 December 2022) and other initiatives of the European Commission:

- Regulation (EU) 2023/606 of the European Parliament and of the Council of 15 March 2023 amending Regulation (EU) 2015/760 as regards the requirements pertaining to the investment policies and operating conditions of European long-term investment funds and the scope of eligible investment assets, the portfolio composition and diversification requirements and the borrowing of cash and other fund rules;
- Proposal for a Regulation of the European Parliament and of the Council on European green bonds;
- Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments as regards enhancing market data transparency, removing obstacles to the emergence of a consolidated tape, optimising the trading obligations and prohibiting receiving payments for forwarding client orders;
- Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 909/2014 as regards settlement discipline, cross-border provision of services, supervisory cooperation, provision of banking-type ancillary services and requirements for third-country central securities depositories;
- Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets;

- Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) 2017/1129, (EU) No 596/2014 and (EU) No 600/2014 to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises;
- Commission Delegated Regulation (EU) 2023/363 of 31 October 2022 amending and correcting the regulatory technical standards laid down in Delegated Regulation (EU) 2022/1288 as regards the content and presentation of information in relation to disclosures in pre-contractual documents and periodic reports for financial products investing in environmentally sustainable economic activities;
- Proposal for a Directive of the European Parliament and of the Council amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, provision of depositary and custody services and loan origination by alternative investment funds;
- Proposal for a Directive of the European Parliament and of the Council amending Directives 2009/65/EU, 2013/36/EU and (EU) 2019/2034 as regards the treatment of concentration risk towards central counterparties and the counterparty risk on centrally cleared derivative transactions;
- Proposal for a Directive of the European Parliament and of the Council amending Directive 2014/65/EU to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises and repealing Directive 2001/34/EC;
- Proposal for a Directive of the European Parliament and of the Council on multiple-vote share structures in companies that seek the admission to trading of their shares on an SME growth market.

3) Acts that took effect in 2022:

- none

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2022):

- Bill amending some acts in connection with the development of the capital market;
- Bill amending Act No 240/2013 Coll, on Management Companies and Investment Funds, as amended (expected to take effect on 1 May 2023).

5) Secondary legislation:

- Decree No 184/2022 Coll, amending Decree No 244/2013 Coll., on more detailed regulation of some rules set out by the Act on Management Companies and Investment funds, as amended by Decree No 52/2016 Coll. (in effect as of 1 August 2022);
- Decree No 185/2022 Coll, amending Decree No 246/2013 Coll., on collective investment fund prospectus (statute) (in effect as of 1 July 2022);
- Decree No 227/2022 Coll, amending Decree No 308/2017 Coll., on the more detailed regulation of certain rules in the provision of investment services (in effect as of 22 November 2022);
- Decree No 252/2022 Coll, amending Decree No 2/2019 Coll., on records of covered blocks (in effect as of 1 January 2023);
- Official Information of the Czech National Bank No 4/2022 of 10 February 2022 repealing certain pieces of official information of the Czech National Bank regarding the prudential rules for banks, third-country branches, credit unions, investment firms and electronic money institutions;
- Official Information of the Czech National Bank No 9/2022 of 31 March 2022 regarding the performance of the activities of investment firms and some other entities – information disclosure;
- Official Information of the Czech National Bank No 20/2022 of 3 August 2022 on derogation of CNB Official Information regarding the performance of the activity of investment firms – application of the general discretion of the competent authority to exempt some exposures from the application of the limit with regard to concentration risk.

A1.3 Banking Sector Legislation, Including Building Savings Schemes and Credit Unions

1) European legislation and other initiatives published in 2022:

- Commission Delegated Regulation (EU) 2022/192 of 20 October 2021 amending the regulatory technical standards laid down in Commission Delegated Regulation (EU) No 1151/2014 as regards the information to be notified when exercising the right of establishment and the freedom to provide services;
- Commission Delegated Regulation (EU) 2022/439 of 20 October 2021 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the specification of the assessment methodology competent authorities are to follow when assessing the compliance of credit institutions and investment firms with the requirements to use the Internal Ratings Based Approach;
- Commission Delegated Regulation (EU) 2022/676 of 3 December 2021 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the conditions under which consolidation shall take place in the cases provided for in Article 18(3) to (6) and (8) of that Regulation;
- Commission Delegated Regulation (EU) 2022/786 of 10 February 2022 amending Commission Delegated Regulation (EU) 2015/61 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council as regards the liquidity coverage requirement for credit institutions;
- Commission Delegated Regulation (EU) 2022/2058 of 28 February 2022 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards on liquidity horizons for the alternative internal models approach as referred to in Article 325bd(1) of Regulation (EU) No 575/2013;
- Commission Delegated Regulation (EU) 2022/1011 of 10 March 2022 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying how to determine indirect exposures to a client arising from derivative contracts and credit derivative contracts where the contract has not been directly entered into with that client but serves as an underlying for a debt or equity instrument issued by that client;
- Commission Delegated Regulation (EU) 2022/954 of 12 May 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) 183/2014 as regards the specification of the calculation of specific and general credit risk adjustments;
- Commission Delegated Regulation (EU) 2022/1622 of 17 May 2022 supplementing Regulation (EU) No575/2013 of the European Parliament and of the Council as regards regulatory technical standards for emerging and developed economies;
- Commission Delegated Regulation (EU) 2022/2579 of 10 June 2022 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the information to be provided by a firm in an application for authorisation in accordance with Article 8a of that Directive;
- Commission Delegated Regulation (EU) 2022/2059 of 14 June 2022 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the technical details of the back-testing and profit and loss attribution requirements under Articles 325bf and 325bg of Regulation (EU) No 575/2013;
- Commission Delegated Regulation (EU) 2022/2060 of 14 June 2022 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for the assessment of the modelling of risk factors based on the internal model approach (IMA) as well as the frequency of such assessment pursuant to Article 325be(3) of that Regulation;
- Commission Delegated Regulation (EU) 2022/2580 of 17 June 2022 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the information to be provided in the application for authorisation to act as a credit institution and specifying the obstacles that may hinder the effective exercise of the supervisory functions of the competent authorities;
- Commission Delegated Regulation (EU) 2022/2257 of 11 August 2022 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the methods for calculating the gross default risk amounts for exposures to debt and equity instruments and for exposures to default risk arising from certain derivative instruments,

as well as notional values for instruments other than those referred to in Article 325w(4) of Regulation (EU) No 575/2013;

- Commission Delegated Regulation (EU) 2022/2328 of 16 August 2022 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying exotic underlying and instruments carrying residual risks for the purpose of calculating residual risk capital requirements;
- Commission Delegated Regulation (EU) 2022/2403 of 16 August 2022 correcting certain language in Delegated Regulation (EU) No 1151/2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council as regards regulatory technical standards on information to be notified when exercising the right of establishment and freedom to provide services;
- Commission Implementing Regulation (EU) 2022/193 of 17 November 2021 amending the implementing technical standards laid down in Implementing Regulation (EU) No 926/2014 laying down standard forms, templates and procedures as regards the information to be notified when exercising the right of establishment and the freedom to provide services;
- Commission Implementing Regulation (EU) 2022/185 of 10 February 2022 correcting certain language versions of Implementing Regulation (EU) 2021/451 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014;
- Commission Implementing Regulation (EU) 2022/1650 of 24 March 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2016/1646 as regards the main indices and recognised exchanges in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council;
- Commission Implementing Regulation (EU) 2022/631 of 13 April 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of information on exposures to interest rate risk for positions not included in the trading book;
- Commission Implementing Regulation (EU) 2022/2581 of 20 June 2022 laying down implementing technical standards for the application of Directive 2013/36/EU of the European Parliament and of the Council as regards the provision of information in applications for authorisation to act as a credit institution;
- Commission Implementing Regulation (EU) 2022/1994 of 21 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/451 as regards capital, asset encumbrance, liquidity and reporting for the purposes of determining global systemically important institutions;
- Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards disclosure of information on environmental, social and governance risks;
- Commission Implementing Regulation (EU) 2022/2365 of 2 December 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2016/1801 as regards the tables assigning credit ratings from external credit rating agencies for the purposes of securitisation in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council;
- Decision of the EEA Joint Committee No 140/2022 of 29 April 2022 amending the Annex IX (Financial services) to the EEA Agreement [2022/1584];
- Decision of the EEA Joint Committee No 141/2022 of 29 April 2022 amending Annex IX (Financial Services) to the EEA Agreement [2022/1585];
- Decision of the EEA Joint Committee No 142/2022 of 29 April 2022 amending Annex IX (Financial Services) to the EEA Agreement [2022/1586];
- Decision of the EEA Joint Committee No 143/2022 of 29 April 2022 amending Annex IX (Financial Services) to the EEA Agreement [2022/1587];
- Decision of the EEA Joint Committee No 181/2022 of 10 June 2022 amending Annex IX (Financial Services) to the EEA Agreement [2022/1881).

2) Pending European legislation (including legislation published after 31 December 2022) and other initiatives of the European Commission:

- Proposal for a Regulation of the European Parliament and of the Council of 26 November 2015 amending Regulation (EU) 806/2014 in order to establish a European Deposit Insurance Scheme;

- Proposal for a Regulation of the European Parliament and of the Council amending regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor.

3) Acts that took effect in 2022:

- Act No 261/2021 Coll., amending some acts in relation with further computerization of public authorities' procedures (amending Act No 21/1992 Coll., on Banks, as amended and Act No 96/1993 Coll., on Building Savings and State Contribution on Building Savings, as amended, in effect as of 1 February 2022).

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2022):

- Act No 471/2022 Coll., amending Act No 12/2020 Coll., on the Right to Digital Services and on Amendments to Certain Acts, as amended, and other related acts (amendment to Act No 21/1992 Coll., on Banks, as amended) (in effect as of 1 April 2023);
- Act No 35/2023 Coll. amending certain acts in connection with the adoption of the Act on the coordination of cooperation with the European Anti-Fraud Office (amendment to Act No 21/1992 Coll. on Banks, as amended, and Act No 87/1995 Coll. on Savings and Credit Cooperatives, as amended) (in effect as of 1 April 2023).

5) Secondary legislation:

- Decree No 230/2022 Coll, amending Decree No 346/2013 Coll., on the submission of reports by banks and branches of foreign banks to the Czech National Bank, as amended (in effect as of 1 January 2023).

A1.4 Payment Services and Market Infrastructure Legislation

1) European legislation and other initiatives published in 2022:

- Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011;
- Council Regulation (EU) 2022/1207 of 12 July 2022 amending Regulation (EC) No 974/98 as regards the introduction of the euro in Croatia;
- Council Regulation (EU) 2022/1208 of 12 July 2022 amending Regulation (EC) No 2866/98 as regards the conversion rate to the euro for Croatia;
- Commission Delegated Regulation (EU) 2022/750 of 8 February 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2015/2205 as regards the transition to new benchmarks referenced in certain OTC derivative contracts;
- Commission Delegated Regulation (EU) 2022/1671 of 9 June 2022 extending the transitional period referred to in Article 89(1), first subparagraph, of Regulation (EU) No 648/2012 of the European Parliament and of the Council;
- Commission Delegated Regulation (EU) 2022/1855 of 10 June 2022 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards specifying the minimum details of the data to be reported to trade repositories and the type of reports to be used;
- Commission Delegated Regulation (EU) 2022/1856 of 10 June 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) No 151/2013 by further specifying the procedure for accessing details of derivatives as well as the technical and operational arrangements for their access;
- Commission Delegated Regulation (EU) 2022/1857 of 10 June 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) No 150/2013 as regards the details of the applications for registration as a trade repository and for applications for extension of registration as a trade repository;
- Commission Delegated Regulation (EU) 2022/1858 of 10 June 2022 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards specifying the procedures for the reconciliation of data between trade repositories and the procedures to be applied by the trade repository to verify the compliance by the reporting counterparty or submitting entity with the reporting requirements and to verify the completeness and correctness of the data reported;

- Commission Delegated Regulation (EU) 2022/1930 of 6 July 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2018/1229 as regards the date of application of the provisions related to the buy-in regime;
- Commission Delegated Regulation (EU) 2022/1988 of 12 July 2022 extending the transitional period for continuing to provide crowdfunding services in accordance with national law as referred to in Article 48(1) of Regulation (EU) 2020/1503 of the European Parliament and of the Council;
- Commission Delegated Regulation (EU) 2022/2111 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to regulatory technical standards specifying conflicts of interest requirements for crowdfunding service providers;
- Commission Delegated Regulation (EU) 2022/2112 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to regulatory technical standards specifying requirements and arrangements for the application for authorisation as a crowdfunding service provider;
- Commission Delegated Regulation (EU) 2022/2113 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to regulatory technical standards for the exchange of information between competent authorities in relation to investigation, supervision and enforcement activities in relation to European crowdfunding service providers for business;
- Commission Delegated Regulation (EU) 2022/2114 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to regulatory technical standards specifying the entry knowledge test and the simulation of the ability to bear loss for prospective non-sophisticated investors in crowdfunding projects;
- Commission Delegated Regulation (EU) 2022/2115 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to regulatory technical standards specifying the methodology for calculating default rates of loans offered on a crowdfunding platform;
- Commission Delegated Regulation (EU) 2022/2116 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to regulatory technical standards specifying the measures and procedures for crowdfunding service providers' business continuity plan;
- Commission Delegated Regulation (EU) 2022/2117 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to regulatory technical standards specifying the requirements, standard formats and procedures for complaint handling;
- Commission Delegated Regulation (EU) 2022/2118 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to regulatory technical standards on individual portfolio management of loans by crowdfunding service providers, specifying the elements of the method to assess credit risk, the information on each individual portfolio to be disclosed to investors, and the policies and procedures required in relation to contingency funds;
- Commission Delegated Regulation (EU) 2022/2119 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to regulatory technical standards for the key investment information sheet;
- Commission Delegated Regulation (EU) 2022/2360 of 3 August 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2018/389 as regards the 90-day exemption for account access;
- Commission Delegated Regulation (EU) 2022/2310 of 18 October 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) No 149/2013 as regards the value of the clearing threshold for positions held in OTC commodity derivative contracts and other OTC derivative contracts;
- Commission Delegated Regulation (EU) 2022/2311 of 21 October 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) No 153/2013 as regards temporary emergency measures on collateral requirements;
- Commission Implementing Regulation (EU) 2022/1859 of 10 June 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) No 1248/2012 as regards the format for applications for registration as trade repositories and for applications for extension of registration as trade repositories;
- Commission Implementing Regulation (EU) 2022/1860 of 10 June 2022 laying down implementing technical standards for the application of Regulation (EU) No 648/2012 of the European Parliament

and of the Council with regard to the standards, formats, frequency and methods and arrangements for reporting;

- Commission Implementing Regulation (EU) 2022/2120 of 13 July 2022 laying down implementing technical standards for the application of Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to data standards and formats, templates and procedures for reporting information on projects funded through crowdfunding platforms;
- Commission Implementing Regulation (EU) 2022/2121 of 13 July 2022 laying down implementing technical standards for the application of Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to standard forms, templates and procedures for the cooperation and exchange of information between competent authorities and ESMA in relation to European crowdfunding service providers for business;
- Commission Implementing Regulation (EU) 2022/2122 of 13 July 2022 laying down implementing technical standards for the application of Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to standard forms, templates and procedures for the cooperation and exchange of information between competent authorities concerning European crowdfunding service providers for business;
- Commission Implementing Regulation (EU) 2022/2123 of 13 July 2022 laying down implementing technical standards for the application of Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to the standard forms, templates and procedures for the notifications of national marketing requirements applicable to crowdfunding service providers by competent authorities to ESMA;
- Directive (EU) 2022/2556 of the European Parliament and of the Council of 14 December 2022 amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU, 2014/65/EU, (EU) 2015/2366 and (EU) 2016/2341 as regards digital operational resilience for the financial sector;
- Council Decision (EU) 2022/1211 of 12 July 2022 on the adoption by Croatia of the euro on 1 January 2023;
- Commission Implementing Decision (EU) 2022/174 of 8 February 2022 determining, for a limited period of time, that the regulatory framework applicable to central counterparties in the United Kingdom of Great Britain and Northern Ireland is equivalent, in accordance with Regulation (EU) No 648/2012 of the European Parliament and of the Council;
- Commission Implementing Decision (EU) 2022/551 of 4 April 2022 amending Implementing Decision (EU) 2021/85 on the equivalence to the requirements of Regulation (EU) No 648/2012 of the European Parliament and of the Council of the regulatory framework of the United States of America for central counterparties that are authorised and supervised by the U.S. Securities and Exchange Commission;
- Commission Implementing Decision (EU) 2022/552 of 4 April 2022 determining that national securities exchanges of the United States of America that are registered with the Securities and Exchange Commission comply with legally binding requirements which are equivalent to the requirements laid down in Title III of Directive 2014/65/EU and are subject to effective supervision and enforcement;
- Commission Implementing Decision (EU) 2022/899 of 8 June 2022 on the equivalence of the regulatory framework for central counterparties in Indonesia to the requirements of Regulation (EU) No 648/2012 of the European Parliament and of the Council as regards central counterparties under the supervision of the Indonesia Financial Services Authority (Otoritas Jasa Keuangan);
- Commission Implementing Decision (EU) 2022/900 of 8 June 2022 amending Implementing Decision (EU) 2015/2039 as regards the evolution of the regulatory framework of South Africa for central counterparties;
- Commission Implementing Decision (EU) 2022/901 of 8 June 2022 amending Implementing Decision (EU) 2016/2269 as regards central counterparties under the supervision of the International Financial Services Centres Authority;
- Commission Implementing Decision (EU) 2022/902 of 8 June 2022 on the equivalence of the regulatory framework for central counterparties in Malaysia to the requirements of Regulation (EU) No 648/2012 of the European Parliament and of the Council;
- Commission Implementing Decision (EU) 2022/903 of 8 June 2022 on the equivalence of the regulatory framework for central counterparties in Chile to the requirements of Regulation (EU) No 648/2012 of the European Parliament and of the Council;

- Commission Implementing Decision (EU) 2022/984 of 22 June 2022 on the equivalence of the regulatory framework of the People's Republic of China for central counterparties that are authorised to clear OTC derivatives in the interbank market and supervised by the People's Bank of China to the requirements of Regulation (EU) No 648/2012 of the European Parliament and of the Council;
- Commission Implementing Decision (EU) 2022/985 of 22 June 2022 on the equivalence of the regulatory framework for central counterparties in Israel to the requirements of Regulation (EU) No 648/2012 of the European Parliament and of the Council;
- Commission Implementing Decision (EU) 2022/1683 of 28 September 2022 on the equivalence of the regulatory framework for central counterparties in Colombia to the requirements of Regulation (EU) No 648/2012 of the European Parliament and of the Council;
- Commission Implementing Decision (EU) 2022/1684 of 28 September 2022 on the equivalence of the regulatory framework for central counterparties in Taiwan (This Decision should not be interpreted as reflecting any official position of the European Union with regard to the legal status of Taiwan.) to Regulation (EU) No 648/2012 of the European Parliament and of the Council as regards Futures Clearing Houses under the supervision of the Financial Supervisory Commission;
- Decision of the EEA Joint Committee No 13/2022 of 4 February 2022 amending Annex IX (Financial services) to the EEA Agreement [2022/1061];
- Decision of the EEA Joint Committee No 147/2022 of 29 April 2022 amending Annex IX (Financial services) to the EEA Agreement [2022/1591];
- Decision of the EEA Joint Committee No 165/2019 of 14 June 2019 amending Annex IX (Financial services) to the EEA Agreement [2022/2157].

2) Pending European legislation (including legislation published after 31 December 2022) and other initiatives of the European Commission:

- Proposal for a Regulation of the European Parliament and of the Council of 24 September 2020 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937;
- Proposal for a Regulation of the European Parliament and of the Council of 20 July 2021 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing;
- Proposal for a Regulation of the European Parliament and of the Council of 16 March 2022 amending Regulation (EU) No 909/2014 as regards settlement discipline, cross-border provision of services, supervisory cooperation, provision of banking-type ancillary services and requirements for third-country central securities depositories;
- Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 260/2012 and (EU) 2021/1230 as regards instant credit transfers in euro;
- Commission Delegated Regulation (EU) 2023/314 of 25 October 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2016/2251 as regards the date of application of certain risk management procedures for the exchange of collateral,
- Commission Delegated Regulation (EU) 2023/315 of 25 October 2022 amending the regulatory technical standards laid down in Delegated Regulations (EU) 2015/2205, (EU) No 2016/592 and (EU) 2016/1178 as regards the date at which the clearing obligation takes effect for certain types of contracts,
- Commission Delegated Regulation (EU) 2023/450 of 25 November 2022 supplementing Regulation (EU) 2021/23 of the European Parliament and of the Council with regard to regulatory technical standards specifying the order in which CCPs are to pay the recompense referred to in Article 20(1) of Regulation (EU) 2021/23, the maximum number of years during which those CCPs are to use a share of their annual profits for such payments to possessors of instruments recognising a claim on their future profits and the maximum share of those profits that is to be used for those payments,
- Commission Delegated Regulation (EU) 2023/451 of 25 November 2022 specifying the factors to be taken into consideration by the competent authority and the supervisory college when assessing the recovery plan of central counterparties.

3) Acts that took effect in 2022:

- Act No 129/2022 amending Act No 370/2017 on payments, as amended, and other related acts (in effect as of 1 July 2022).

- Act No 129/2022 Coll. amending Act No 370/2017 Coll., on Payments, as amended and other related acts (in effect as of 1 July 2022).

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2022):

- Bill amending Act No 256/2004 Coll., on Doing Business on the Capital Market, as amended, and Act No 277/2009 Coll., Insurance Act, as amended;
- Bill on non-performing loans;
- Bill amending some acts in connection with the adoption of the non-performing loans.

5) Secondary legislation:

- Decree No 1/2022 Coll., on applications and notifications to perform activities pursuant to the Payment System Act (in effect as of 1 July 2022);
- Decree No 2/2022 Coll. amending Decree No 7/2018 Coll., on the pursuit of business of payment institutions, account information service providers, electronic money institutions, small-scale payment service providers and small-scale electronic money issuers (in effect as of 1 July 2022).

A1.5 Insurance and Private Pension Systems Legislation

1) European legislation and other initiatives published in 2022:

- Commission Implementing Regulation (EU) 2022/186 of 10 February 2022 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 31 December 2021 until 30 March 2022 in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance;
- Commission Implementing Regulation (EU) 2022/732 of 12 May 2022 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 31 March 2022 until 29 June 2022 in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance;
- Commission Implementing Regulation (EU) 2022/1384 of 8 August 2022 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 June 2022 until 29 September 2022 in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance;
- Commission Implementing Regulation (EU) 2022/2282 of 21 November 2022 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 September 2022 until 30 December 2022 in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance.

2) Pending European legislation (including legislation published after 31 December 2022) and other initiatives of the European Commission:

- Proposal for a Directive of the European Parliament and of the Council amending Directive 2009/138/EC of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance;
- Proposal for a Directive of the European Parliament and of the Council of 22 September 2021 establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2009/138/EC, (EU) 2017/1132 and Regulations (EU) No 1094/2010 and (EU) No 648/2012.

3) Acts that took effect in 2022:

- Act No 91/2022 Coll. on the pan-European Personal Pension Product and amending related acts (in effect as of 11 May 2022).

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2022):

- Bill on motor vehicle liability insurance;
- Bill amending laws in connection with Act on motor vehicle liability insurance.

5) Secondary legislation:

- Decree No 115/2022 Coll. implementing certain provisions of the Act on the pan-European Personal Pension Product Act and amending the related decrees on professional competence (in effect as of 11 May 2022).

APPENDIX 2: SUPPLEMENTARY TABLES

Table A2.1: Overview of selected indicators in sector of credit institutions, non-bank financing providers, capital market and insurance companies

Banks	2021	Year-on-year change		2022	Year-on-year change	
Balance sheet	CZK 8,603.2 bn	7.3%	↑	CZK 8,943.4 bn	4.0%	↑
Total capital ratio	23.5%	-0.8 pp	↓	22.3%	-1.2 pp	↓
Ratio of client deposits to loans	143.0%	-0.6 pp	↓	143.9%	0.9 pp	↑
NPL ratio	2.4%	-0.4 pp	↓	2.0%	-0.4 pp	↓
Client deposits	CZK 5,502.3 bn	6.6%	↑	CZK 5,858.9 bn	6.5%	↑
Client loans	CZK 3,847.8 bn	7.0%	↑	CZK 4,071.7 bn	5.8%	↑

Building savings banks	2021	Year-on-year change		2022	Year-on-year change	
Number of contracts	3.3 million	0.7%	↑	3.2 million	-3.5%	↓
Savings	CZK 366.3 bn	1.0%	↑	CZK 334.7 bn	-8.6%	↓
State contributions	CZK 4.2 bn	2.9%	↑	CZK 4.3 bn	2.1%	↑
Total loans	CZK 319.3 bn	8.8%	↑	CZK 342.0 bn	7.1%	↑
New loans	CZK 109.8 bn	68.0%	↑	CZK 53.4 bn	-51.3%	↓
Loan-to-savings ratio	87.2%	6.3 pp	↑	102.2%	15.0 pp	↑

Mortgage loans	2021	Year-on-year change		2022	Year-on-year change	
Purely new mortgage loans to private individuals for residential housing	CZK 367.9 bn	69.7%	↑	CZK 148.7 bn	-59.6%	↓
Total loans	CZK 2,390.0 bn	9.4%	↑	CZK 2,509.7 bn	5.0%	↑

Credit unions	2021	Year-on-year change		2022	Year-on-year change	
Number of members	11.4 thousand	-4.8%	↓	11.8 thousand	2.9%	↑
Balance sheet	CZK 9.1 bn	-9.0%	↓	CZK 9.4 bn	4.0%	↑
NPL ratio	26.1%	-2.8 pp	↓	24.5%	-1.6 pp	↓
Total capital ratio	24.5%	-2.1 pp	↓	24.9%	0.4 pp	↑

Non-bank financing providers	2021	Year-on-year change		2022	Year-on-year change	
Balance sheet	CZK 420.8 bn	0.4%	↑	CZK 440.5 bn	4.7%	↑
Total loans	CZK 325.3 bn	0.9%	↑	CZK 348.6 bn	7.2%	↑

Regulated and OTC market	2021	Year-on-year change		2022	Year-on-year change	
PX index	1,426.0 points	38.8%	↑	1,201.7 points	-15.7%	↓
Volume of exchange trades on the PSE	CZK 154.6 bn	15.0%	↑	CZK 180.9 bn	17.0%	↑
Volume of exchange trades on the RM-System	CZK 4.8 bn	5.9%	↑	CZK 6.5 bn	34.6%	↑
Volume of OTC transactions	CZK 9,125.1 bn	86.3%	↑	CZK 10,389.4 bn	13.9%	↑

Investment funds	2021	Year-on-year change		2022	Year-on-year change	
Assets in collective investment funds	CZK 707.6 bn	20.0%	↑	CZK 751.6 bn	6.2%	↑
Assets in qualified investor funds	CZK 263.8 bn	26.5%	↑	CZK 351.5 bn	33.3%	↑

Insurance companies	2021	Year-on-year change		2022	Year-on-year change	
Balance sheet	CZK 524.5 bn	6.4%	↑	CZK 492.7 bn	-6.1%	↓
Total gross premiums written	CZK 179.7 bn	7.0%	↑	CZK 200.1 bn	11.3%	↑
Gross claim settlement costs	CZK 102.0 bn	10.9%	↑	CZK 117.0 bn	14.7%	↑
Total insurance penetration	2.9%	0.0 pp	⇔	2.9%	0,0 pp	⇔

Pension funds	2021	Year-on-year change		2022	Year-on-year change	
Number of participants	4,440.8 thousand	0.4%	↑	4,396.6 thousand	-1.0%	↓
Participants' assets	CZK 566.7 bn	7.4%	↑	CZK 584.2 bn	3.1%	↑
Share of contracts with an employer's contribution	24.0%	0.5 pp	↑	24.7%	0.7 pp	↑
Participant's average monthly contribution in transformed funds	CZK 781	3.6%	↑	CZK 795	1.8%	↑
Participant's average monthly contribution in participation funds	CZK 829	2.1%	↑	CZK 853	2.9%	↑
State contributions	CZK 7.6 bn	2.2%	↑	CZK 7.6 bn	1.1%	↑

Source: AKAT, APS CR, CNB – ARAD, MoF, MoF calculations

Table A2.2: Main indicators of the building savings bank sector

As at 31 Dec		2017	2018	2019	2020	2021	2022
New building savings contracts	number	370,707	422,048	485,176	461,885	449,899	486,532
	change (%)	-8.1	13.8	15.0	-4.8	-2.6	8.1
Average target value for new building savings contracts with private individuals	value (CZK thousands)	396.5	470.1	430.5	455.9	808.7	629.1
	change (%)	3.3	18.6	-8.4	5.9	77.4	-22.2
Building savings contracts in savings phase	number	3,212,427	3,166,824	3,226,733	3,242,740	3,265,839	3,152,006
	change (%)	-3.0	-1.4	1.9	0.5	0.7	-3.5
Paid state contributions	value (CZK bn)	3.9	3.9	4.0	4.1	4.2	4.3
	change (%)	-7.8	-0.8	1.6	3.5	2.9	2.1
Average state contribution[83]	value (CZK)	1,373	1,397	1,434	1,461	1,497	-
	change (%)	2.3	1.7	2.6	1.9	2.5	-
Savings	value (CZK bn)	358.9	355.0	359.7	362.7	366.3	334.7
	change (%)	-1.0	-1.1	1.3	0.8	1.0	-8.6
Loans in total	number	612,982	588,165	555,368	520,333	490,714	475,935
of which: building savings loans	number	307,668	282,587	267,225	254,630	234,675	235,171
bridging loans[84]	number	305,314	305,578	288,143	265,703	256,039	240,764
	change (%)	-5.7	-4.0	-5.6	-6.3	-5.7	-3.0
Loans in total	value (CZK bn)	245.7	262.9	278.1	293.5	319.3	342.0
of which: building savings loans	value (CZK bn)	38.2	38.5	48.2	60.0	64.1	81.0
bridging loans[84]	value (CZK bn)	207.5	224.4	229.9	233.5	255.2	261.0
	change (%)	2.1	7.0	5.8	5.5	8.8	7.1
Loans-to-savings ratio	ratio (%)	68.5	74.1	77.3	80.9	87.2	102.2

Source: Building savings banks, MF

83 The value is published in the course of the subsequent year.
84 Under Section 5(5) of Act No. 96/1993 Coll., on building savings schemes and state contribution for building savings schemes, as subsequently amended.

Table A2.3: Basic indicators of the supplementary pension insurance in transformed funds

As at 31 Dec		2017	2018	2019	2020	2021	2022
Supplementary pension insurance contracts[85]	number	3,709,605	3,494,140	3,327,507	3,154,028	2,988,958	2,774,757
	change (%)	-7.2	-5.8	-4.8	-5.2	-5.2	-7.2
State contributions for a given period	value (CZK bn)	5.7	5.4	5.3	5.1	5.0	4.7
	change (%)	-9.6	-5.1	-2.3	-2.9	-2.7	-5.3
Participants' contributions[86]	value (CZK bn)	29.4	28.4	28.2	27.7	27.3	26.0
	change (%)	-2.4	-3.2	-0.6	-1.9	-1.6	-4.5
Average monthly state contribution	value (CZK)	120	128	133	137	140	141
	change (%)	-1.6	6.7	3.9	3.0	2.2	0.7
Average monthly participant's contribution	value (CZK)	624	680	722	754	781	795
	change (%)	5.9	9.0	6.2	4.4	3.6	1.8

Source: MoF

Table A2.4: Basic indicators of the supplementary pension savings in participation funds

As at 31 Dec		2017	2018	2019	2020	2021	2022
Supplementary pension savings contracts[85]	number	757.549	956.820	1,128,131	1,269,989	1,451,812	1,621,853
	change (%)	41.1	26.3	17.9	12.6	14.3	11.7
State contributions for a given period	value (CZK bn)	1.2	1.7	2.0	2.3	2.6	2.9
	change (%)	44.3	34.1	20.8	14.5	13.1	13.4
Participants' contributions[86]	value (CZK bn)	6.1	8.2	10.0	11.6	13.3	15.5
	change (%)	49.1	35.7	21.5	15.8	15.2	16.2
Average monthly state contribution	value (CZK)	159	160	160	161	161	162
	change (%)	1.9	0.6	0.0	0.6	0.0	0.6
Average monthly participant's contribution	value (CZK)	776	790	800	812	829	853
	change (%)	4.7	1.8	1.3	1.5	2.1	2.9

Source: MoF

85 Data reflects number of policies, which are not closed in the relevant MoF records.
86 Participants' contributions are reported without the contributions paid by employers for their employees.

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