Ministerstvo financí
ČESKÉ REPUBLIKY

REPORT ON FINANCIAL MARKET DEVELOPMENTS IN 2023

August 2024

CONTENTS

The data presented in this report were obtained from the specified sources in May 2024 and may differ from data presented in previous editions of this publication because of revisions made in the meantime.

SUMMARY OF DEVELOPMENTS IN 2023

Macroeconomic Situation	Real seasonally adjusted GDP fell slightly by 0.2%. The harmonised index of consumer prices slowed its growth rate, rising by 12.0%. The unemployment rate increased slightly to 2.6%, but remained the lowest in the EU. The general government posted a deficit of 3.7% of GDP and the general government debt-to-GDP ratio fell slightly for the first time in 3 years, by 0.2 pp to 44.0%.
Monetary Policy and Foreign Exchange Market	In December, in the context of declining domestic inflation, the CNB cut its key 2W repo rate by 0.25 pp to 6.75%. This marked the first decline in this rate in more than 3 years. The average exchange rate of the Czech koruna tothe euro appreciated by 60 halers to CZK 24.0 CZK/EUR.
Placement of Funds in the Financial Market	The volume of funds placed in the financial market increased by 13.3% to CZK 9.7 trillion. This represented the highest absolute and relative growth in the last five years. The highest absolute increase in funds was again recorded in deposits with credit institutions (by CZK 842.7 billion), which accounted for approximately 69% of total funds. The highest growth rate was recorded for client assets in investment funds (26.0%), thus increasing their share of total funds to 14.3%.
Household Savings Structure	The volume of household savings placed in financial market products or instruments increased by 11.7% to CZK 6.4 trillion. In terms of the development of the household savings structure, investment funds recorded the highest absolute and relative growth, by CZK 311.4 billion or 38.4% to CZK 1.1 trillion. The increase in the volume of term deposits was higher than in the case of demand deposits, which showed the highest decline in the share of household savings (by 2.8 pp) to 45.6%. Overall, over the last five years, the share of deposit products with credit institutions in household savings fell to 61.2%, mainly in favour of savings placed in investment funds, whose share rose to 17.6%.
Household Indebtedness	Household indebtedness increased by 4.7% to CZK 2.3 trillion. The growth rate of housing loans slowed down to 4.2%. The share of these loans in total household debt fell slightly to 75.3%.
Financial Market Entities	There were no major changes in the number of entities in the individual financial market sectors. In the capital market area, the number of investment funds continued to grow. The number of entities in the dominant banking sector increased, as the Partners Banka, a.s. and a branch of a foreign bank entered the market.
Banking Sector	The banking sector (including building savings banks) has reaffirmed its dominant position on the Czech financial market. The volume of assets reported the highest growth rate in the last 5 years (11.1%) rising to CZK 9.9 trillion. The total capital ratio, as a key factor of the sector's resilience, increased slightly by 0.6 pp to 22.9%. Profit before tax increased by 1.2% to CZK 123.0 billion.
Interest Rates	Elevated levels of CNB's monetary policy rates were reflected in a continued increase of average annual CZK interest rates, which rose to their highest levels in more than 20 years on deposits held with banks by households and non-financial corporations, as well as on loans to non-financial corporations. Interest rates on loans to non-financial corporations increased more than on loans to households, which were affected by a higher share of loans with longer interest rate fixation periods.
Deposits and Loans	The volume of client bank deposits increased by 14.4% to CZK 6.7 trillion, i.e. more than twice as fast as in 2022. In contrast, the volume of client loans increased by 7.0% to CZK 4.4 trillion. The dominant household sector posted roughly half the growth rate (4.7%) of non-financial corporations (9.8%). The share of non-performing loans in total client loans fell for the third year in a row, by 0.3 pp year on year to a long-term low of 1.6%. The client deposit-to-loan ratio in the banking sector rose substantially by 9,9 pp to 153,8%.

Mortgage Market

The volume of newly granted mortgage loans increased by 12.3% to CZK 636.3 billion. The growth in loans for non-residential property and other purposes was stronger (by 18.7%) to CZK 299.2 billion. The volume of loans for residential housing rose by 7.2% to CZK 337.1 billion, and was largely influenced by refixations of mortgages granted in the previous years. Of this, the volume of new mortgages granted to the private individuals increased slightly by 5.7% to CZK 304.1 billion. By contrast, purely new mortgage loans granted to the private individuals for residential housing fell significantly by a quarter to CZK 111.7 billion. The total outstanding volume of mortgage loans increased by 7.5% to CZK 2.7 trillion.

Building Savings Banks

The number of newly concluded building savings contracts fell by 22.3% to 377.9 thousand contracts. The total savings also fell by 6.4% to CZK 313.4 billion. The share of household's deposits with building savings banks in their total deposits with credit institutions decreased to 8.0%. The state paid out CZK 4.2 billion in direct state contributions. The volume of new loans granted by building savings banks fell even more sharply, by 37.6% to CZK 33.3 billion. Nevertheless, the total volume of outstanding loans reached an all-time high of CZK 348.1 billion.

Credit Unions

The total assets of the credit union sector grew for the second year in a row, by 6.4% to CZK 10.1 billion, but as in the previous four years they accounted for only 0.1% of the assets of all credit institutions. The non-performing loans ratio increased by 1.5 pp to 27.1%. The total capital ratio rose by 3.6 pp to 28.5%. The credit union sector achieved a profit before tax for the third year in a row, amounting to almost CZK 99 million.

Non-Bank Financing Providers

The total assets of non-bank financing providers increased by 10.1% to CZK 485.4 billion, the highest value in the last five years, nonetheless it remained below 5% of the banking sector's total assets. The volume of loans granted increased by 10.4% to CZK 385.5 billion, with growth recorded in all three sub-segments, namely financial leasing companies by 12.0%, other lending companies by 5.6%, and factoring and forfaiting companies by 5.2%.

Regulated and OTC Markets

The main Czech stock index, the PX, rose by 17.7% to 1,414 points, i.e. by 4.1 pp less than the MSCI ACWI global stock index. The stock trading volume on the PSE decreased by 21.9% to CZK 141.3 billion, mainly due to a decline in trades with shares. Trading volume within RM-S, which focuses primarily on retail investors, saw a significant drop by 34.2% to CZK 4.3 billion.

Bond Financing of Non-Financial Corporations

The total outstanding volume of bonds issued by non-financial corporations fell slightly by 1.3% to CZK 265.9 billion, thus a medium-term decline continued, mainly due to the effect of elevated interest rates. The outstanding volume of bonds issued by non-financial corporations represented an equivalent of almost one fifth of domestic bank loans granted to the sector.

Non-Bank Investment Firms and Asset Management

The volume of assets of non-bank investment firms remained almost unchanged at CZK 27.3 billion. In contrast, the volume of assets entrusted to asset managers continued to grow by 22.8% to CZK 2.3 trillion.

Investment Funds

Reflecting the developments on the financial markets, investment funds recorded the highest growth in total assets (by 26.0%) in the last 5 years to an all-time high of CZK 1,390.2 billion. The volume of assets in qualified investor funds rose by 28.3% to CZK 450.8 billion and in collective investment funds by 25.0% to CZK 939.3 billion. In terms of the structure by asset class categories of the collective investor funds, domestic funds recorded an increase in the share of bond funds (by 8.2 pp to 45.6%), whereas the share of mixed funds decreased (by 5.0 pp to 29.0%), as well as that of equity funds (by 1.4 pp to 14.9%). Among foreign funds, equity funds maintained their dominant share (up by 0.1 pp to 41.7%).

Insurance Companies	Gross premiums written continued to grow, increasing by 6.5% to CZK 213.1 billion. The overall strengthening of the sector was driven by the non-life insurance segment (up by 9.1%). By contrast, the volume of premiums written in the life insurance segment fell slightly (by 0.3%). The total number of insurance contracts increased (by 4.5%) to 31.2 million. During the year, 3.2 million claims were recorded. The sector's balance sheet total increased by 4.3% to CZK 514.1 billion.
Supplementary Pension Insurance and Supplementary Pension Savings	The total number of participants in Pillar III decreased by 3.9% to 4.2 million. The volume of participants' assets managed in pension funds increased again, but at the lowest growth rate in the last five years, by 1.9% to CZK 595.5 billion. The average monthly participant's contribution fell to CZK 792 for transformed funds and rose to CZK 871 for participation funds. The share of contracts with an employer's contribution increased by 1.2 pp to 25.9%. The total amount of state contributions remitted to participants in Pillar III fell by 2.1% to CZK 7.5 billion. At the end of 2023, the average annual rates of return of transformed and participation funds were the highest in their history.
Financial Market Legislation	An Act amending certain acts in connection with the development of the financial market and with the old-age security support, amendments to the Act on Management Companies and Investment Funds, the Act on Recovery and Resolution in the Financial Market, the Capital Market Business Act and the Insurance Act, and an amendment to the Act on Building Savings as part of the Consolidation Package were adopted. At the European level, a new directive on consumer credit and regulations on distance marketing in financial services, central securities depositories, European green bonds and the Digital Finance Package were adopted.

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

The Czech economy verged on the edge of recession in 2023. Real gross domestic product (GDP) fell slightly by 0.2% (Table 1.1). The trajectory of the domestic economy did not differ significantly from that of most neighbouring countries. Hungary and Austria experienced a higher decline in economic activity, while Slovakia's economy performed best in the Central European region. Both the EU and the euro area recorded slightly positive growth (0.5%). In contrast to the other countries monitored, the two largest global economies, the US and China, both posted their GDP growth accelerate year on year.

Cumulatively, over the whole reporting period since the beginning of 2018, China (36%), followed by Poland (22%) and Hungary (17%) grew the most among the economies monitored. The cumulative growth of the Czech Republic (7%) was broadly in line with the euro area (7%) or the EU (8%), but was noticeably higher than that of Germany (3%).

Table 1.1: Annual real GDP growth

As at 31 Dec (%)	2018	2019	2020	2021	2022	2023	Year-on-year change (pp)
United States	3.0	2.5	-2.2	5.8	1.9	2.5	0.6
China	6.6	6.0	1.8	8.8	3.0	5.5	2.5
United Kingdom	1.4	1.6	-10.4	8.7	4.3	0.1	-4.2
European Union	**2.0**	**1.8**	**-5.8**	**5.9**	**3.5**	**0.5**	**-3.0**
Euro area	1.8	1.6	-6.2	5.9	3.5	0.5	-3.0
Germany	1.0	1.1	-4.2	3.1	1.9	-0.1	-2.0
Poland	5.9	4.4	-2.0	6.9	5.5	0.1	-5.4
Austria	2.4	1.5	-6.7	4.4	4.8	-0.7	-5.5
Czech Republic	**3.2**	**3.0**	**-5.5**	**3.5**	**2.4**	**-0.2**	**-2.6**
Hungary	5.4	4.9	-4.7	7.0	4.6	-0.7	-5.3
Slovakia	4.0	2.5	-3.3	4.8	1.8	1.1	-0.7

Source: MoF (seasonally adjusted data)

In terms of the expenditure components of domestic GDP (Table 1.2), net exports (2.6 pp) and government final consumption expenditure (0.7 pp) were the main positive contributors to GDP growth. By contrast, gross capital formation (-2.2 pp) and household consumption (-1.5 pp) had a negative impact.

The unemployment rate rose slightly to 2.6% on the back of weak economic activity. However, the Czech Republic continued to have the lowest unemployment rate in the EU, remaining again well below the EU average of 6.1%.

The general government balance declined slightly by 0.5 pp year on year to -3.7%. The general government debt-to-GDP ratio fell slightly by 0.2 pp to 44.0% for the first time in three years.

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

As at 31 Dec	2018	2019	2020	2021	2022	2023
Gross domestic product[1] (change in %)	3.2	3.0	-5.5	3.6	2.4	-0.3
of which: final consumption expenditure of households (pp)	1.7	1.3	-3.4	1.9	-0.3	-1.5
final consumption expenditure of government (pp)	0.7	0.5	0.8	0.3	0.1	0.7
gross capital formation (pp)	2.0	1.2	-2.6	5.0	1.7	-2.2
net exports (pp)	-1.2	0.0	-0.4	-3.6	0.9	2.6
Unemployment rate[2] (% annual average)	2.2	2.0	2.6	2.8	2.2	2.6
General government balance (% GDP)	0.9	0.3	-5.8	-5.1	-3.2	-3.7
General government debt (% GDP)	32.1	30.0	37.7	42.0	44.2	44.0

Source: MoF, CZSO

1 Constant prices, seasonally adjusted.
2 Measured by the Labour Force Survey Method.

The consumer price index registered a slowdown in the annual growth rate in 2023 in most of the economies monitored, as the effects of tighter monetary policies across the globe began to take effect. In the Czech Republic, consumer prices rose by 12.0% year on year, marking the second highest rate in 2023 not only within the economies monitored, but in case of the Czech Republic also over the reporting period since 2018 (Table 1.3). Hungary posted the highest price level growth in 2023 among the economies monitored (17.0%), while the consumer price index also grew at a double-digit rate in Slovakia (11.0%) and Poland (10.9%). The EU average was lower (6.4%) and an even lower rate of price level growth was recorded in the US (3.0%). In the Asian economies monitored, the year-on-year development was contrasting. While Japan's CPI reached its highest level over the reporting period, China, on the other hand, experienced almost year-on-year price level stagnation.

Table 1.3: Consumer price indices in selected economies

Annual average (%)	2018	2019	2020	2021	2022	2023
United States	2.2	1.4	0.8	5.3	8.7	3.0
China	1.9	3.0	2.6	0.8	1.9	0.2
Japan	1.0	0.5	-0.0	-0.2	2.5	3.3
United Kingdom	2.5	1.8	0.9	2.6	9.1	7.3
European Union	**1.9**	**1.5**	**0.7**	**2.9**	**9.2**	**6.4**
Euro area	1.8	1.2	0.3	2.6	8.4	5.4
Germany	1.9	1.4	0.4	3.2	8.7	6.0
Poland	1.2	2.1	3.7	5.2	13.2	10.9
Austria	2.1	1.5	1.4	2.8	8.6	7.7
Czech Republic	**2.0**	**2.6**	**3.3**	**3.3**	**14.8**	**12.0**
Hungary	2.9	3.4	3.4	5.2	15.3	17.0
Slovakia	2.5	2.8	2.0	2.8	12.1	11.0

Source: Eurostat, BIS

1.2 Monetary Policy and Foreign Exchange Market

In response to persisting inflation, the CNB held its monetary policy interest rates steady for most of 2023. However, in December 2023, in the context of declining domestic inflation, the CNB cut the 2W repo rate by 0.25 pp to 6.75% (see Chapter 5, Graph 5.4), marking the first decline in more than 3 years.

The major global central banks in the US, the euro area and the UK, which started their rate hikes cycle later than the CNB, were still raising their key policy rates during 2023 in the context of ongoing inflation (Table 1.4). In contrast, the monitored central European central banks, which had raised their rates more in 2022, moved to cut them in 2023. In Poland, monetary policy rates were cut by 1.0 pp to 5.75%, and even by 2.25 pp to 10.75% in Hungary.

Table 1.4: Key monetary policy rates of selected central banks

As at 31 Dec (% p.a.)		2018	2019	2020	2021	2022	2023
United States	Fed	2.25–2.50	1.50–1.75	0–0.25	0–0.25	4.25–4.50	5.25–5.50
Euro area	**ECB**	**0.00**	**0.00**	**0.00**	**0.00**	**2.50**	**4.50**
Japan	BoJ	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
United Kingdom	BoE	0.75	0.75	0.10	0.25	3.50	5.25
Poland	NBP	1.50	1.50	0.10	1.75	6.75	5.75
Czech Republic	**ČNB**	**1.75**	**2.00**	**0.25**	**3.75**	**7.00**	**6.75**
Hungary	MNB	0.90	0.90	0.60	2.40	13.00	10.75

Source: BIS

Although the average annual exchange rate of the Czech koruna appreciated year on year against most of the currencies monitored (Table 1.5), the exchange rate fluctuated during the year. As late as the beginning of 2023, the koruna continued its earlier appreciation trend against the euro, supported by the continuing effect of the positive interest rate differential vis-à-vis the euro area. The expected start of the CNB's monetary policy rate cut cycle, together with the unfavourable global economic outlook in the second half of the year, exerted downward pressure on the koruna.

Czech koruna appreciated against the US dollar and the British pound by 4 to 5% year on year, while against the Chinese renminbi it strengthened by approximately twice as much. The koruna appreciated most against the Japanese yen, which was influenced by capital flows related to the then expected changes in the local monetary policy, i.e. the end of the negative interest rate regime. Of the currencies monitored, the Czech koruna depreciated only against the Swiss franc and the Polish zloty, and only slightly in both cases, by around 1%. The depreciation against the Swiss franc may have been due to its perception as a safe haven currency at a time of heightened geopolitical uncertainty and, in the case of the Polish zloty, to some extent due to a correction of its earlier two-year depreciation accompanied by expectations of a change in the direction of monetary policy there.

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

Average exchange rate		2018	2019	2020	2021	2022	2023	Year-on-year change[3] (%)
United States dollar	CZK/USD	21.7	22.9	23.2	21.7	23.4	22.2	-4.9
Euro	**CZK/EUR**	**25.6**	**25.7**	**26.4**	**25.6**	**24.6**	**24.0**	**-2.3**
Chinese yuan	CZK/CNY	3.3	3.3	3.4	3.4	3.5	3.1	-9.7
Japanese yen	CZK/100 JPY	19.7	21.1	21.7	19.8	17.8	15.8	-11.2
British pound	CZK/GBP	29.0	29.3	29.7	29.8	28.8	27.6	-4.3
Swiss franc	CZK/CHF	22.2	23.1	24.7	23.7	24.5	24.7	1.1
Polish złoty	CZK/PLN	6.0	6.0	6.0	5.6	5.2	5.3	0.9
Hungarian forint	CZK/100 HUF	8.0	7.9	7.5	7.2	6.3	6.3	-0.2

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 in its long-term growth, increasing significantly by CZK 1.1 trillion (13.3%) to CZK 9.7 trillion in 2023 (Table 2.1). This was noticeably the highest absolute and relative increase in the volume of these funds in the reporting period since 2018.

Table 2.1: Placement of funds in the financial market

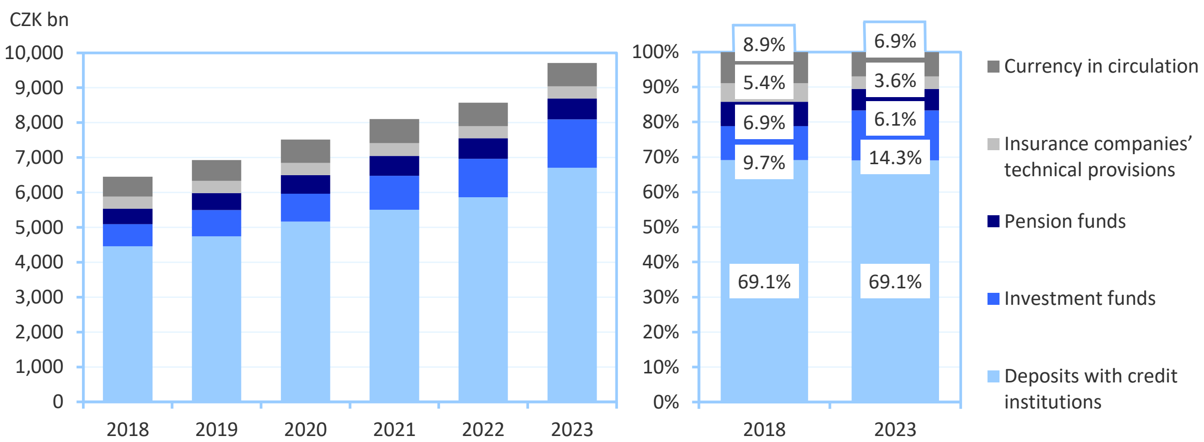
As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Deposits with credit institutions[5]	4,461.5	4,747.4	5,170.1	5,509.5	5,866.3	6,709.0	842.7	14.4
of which: building savings banks	355.0	359.7	362.7	366.3	334.7	313.4	-21.3	-6.4
Investment funds	627.8	746.0	798.2	971.4	1,103.0	1,390.2	287.2	26.0
Pension funds	447.1	487.1	527.9	566.7	584.2	595.5	11.3	1.9
Insurance companies' technical provisions	345.3	348.3	349.8	369.1	348.6	345.8	-2.9	-0.8
Currency in circulation	571.2	598.9	668.1	691.2	673.4	674.1	0.7	0.1
Total	6,452.8	6,927.8	7,514.0	8,107.8	8,575.6	9,714.6	1,139.0	13.3

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

The highest absolute year-on-year increase in the volume of funds was again recorded by deposits with credit institutions, which were also the most significant item, measured by volume, within the structure of placement of funds monitored. Their share of total funds increased by 0.7 pp to 69.1% in 2023, reaching a comparable level to that at the end of 2018 (Graph 2.1).

As in 2019, 2021 and 2022, investment funds recorded the highest year-on-year growth rate among the categories of funds monitored, at a record 26.0%, but this was also driven by above-average overall appreciation of invested client assets. In terms of the evolution of the structure of the placement of funds, it was the share of client assets in investment funds that increased the most during the reporting period, by 4.6 pp. The shares of other categories decreased, with the share of currency in circulation falling the most since 2018 (by 1.9 pp). After stagnating near 7%, the share of participants' assets in pension funds declined to 6.1% in 2023, and the share of technical provisions of insurance companies gradually decreased to 3.6% during 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 2018 and 2023.

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 or instruments[6] increased by CZK 669.9 billion (11.7%) year on year to almost CZK 6.4 trillion (Table 3.1). The volume of savings thus continued in its long term growth, with the highest absolute and relative year-on-year growth in the reporting period since 2018.

Table 3.1: Household savings structure

As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Demand deposits	2,139.7	2,276.6	2,687.9	2,886.4	2,775.6	2,918.7	143.2	5.2
Term deposits	571.3	591.1	537.8	570.1	845.8	994.8	149.0	17.6
of which: building savings schemes	345.2	350.3	352.0	356.2	328.1	308.6	-19.4	-5.9
Pension funds	446.6	483.7	523.2	560.8	579.6	580.9	1.3	0.2
Life insurance	265.2	267.6	268.4	269.3	245.8	240.6	-5.3	-2.1
Investment funds	451.6	533.4	566.5	711.9	811.9	1,123.3	311.4	38.4
Debt securities	128.6	145.3	158.3	146.1	243.4	276.6	33.2	13.6
Listed shares	69.7	219.9	240.9	269.1	225.3	262.4	37.1	16.5
Total	4,072.7	4,517.5	4,983.1	5,413.9	5,727.4	6,397.3	669.9	11.7

Source: CNB – ARAD, MoF calculations

Within the household savings structure in 2023, investment funds recorded the highest absolute (CZK 311.4 billion) and relative (38.4%) growth compared to the other categories of the savings monitored, which also meant the highest increase and growth rate of household savings in investment funds during the reporting period. However, the appreciation of the household savings held in the investment funds also contributed significantly to this increase. Thus, the share of household savings allocated to investment funds in total household savings increased by 3.4 pp year on year, while this category also recorded the highest increase in its share of total household savings compared to the end of 2018, by 6.5 pp to 17.6% (Graph 3.1).

Household term deposits of households increased by CZK 149.0 billion year on year to almost CZK 1.0 trillion. This represented their second highest absolute year-on-year increase and growth rate (by 17.6%) in the reporting period. Term deposits thus continued their year-on-year growth already started in 2021, although at a slower pace than in 2022, when term deposits showed the highest absolute year-on-year growth among the categories monitored. Household demand deposits also increased year on year by CZK 143.2 billion to CZK 2.9 trillion. This compensated for their decline in 2022 and only slightly exceeded the volume reached at the end of 2021. Given the growth in household savings, demand deposits showed the highest decline in the share of household savings among all categories monitored, both year on year (by 2.8 pp) and compared to 2018 (by 6.9 pp) to 45.6%. The higher growth in household term deposits relative to demand deposits was related to the persisting environment of elevated monetary policy rates, which continued to be reflected in the offer of higher interest rates on term deposits, increasing their attractiveness relative to the usually lower-interest (or more restrictive conditions attached to) current or savings accounts with deposits transferable on demand. Some depositors may also have been motivated to lock in then prevailing level of interest rates for a longer period of time through a term deposit.

Building savings schemes, as a specific segment of term deposits, again showed a decline in volume, although slightly lower than in 2022. The share of building savings schemes in the household savings structure gradually declined by 3.7 pp to 4.8% over the reporting period.

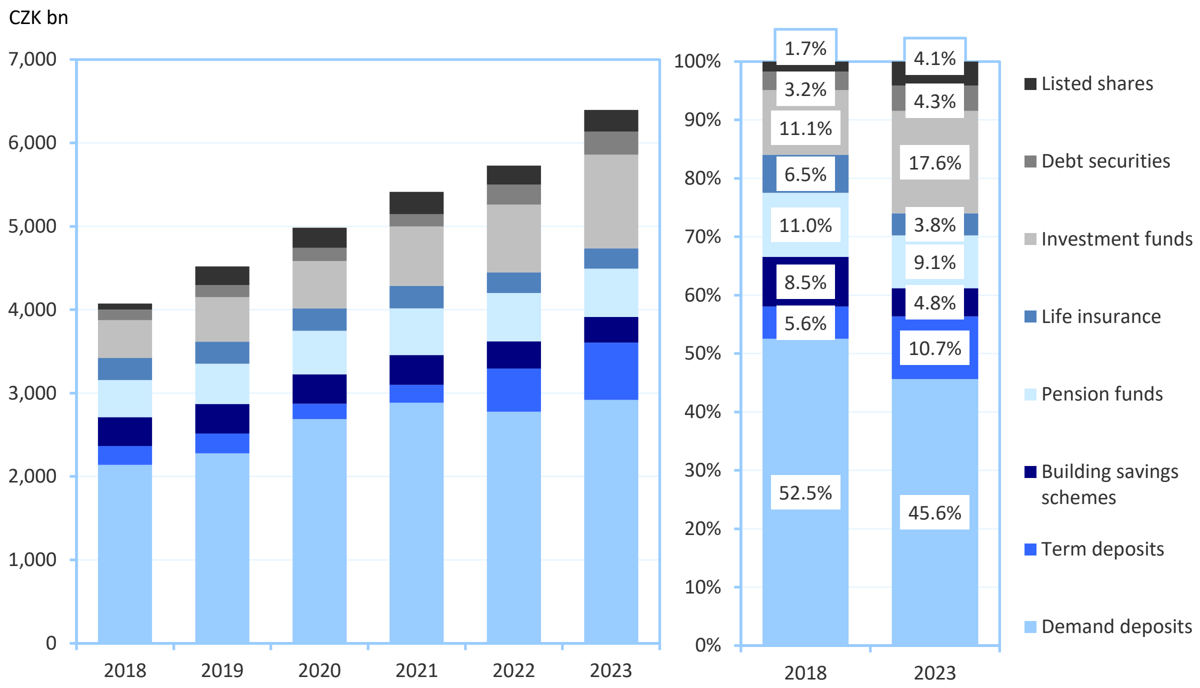
Although the aggregate volume of the deposit product category increased year on year, the share of demand and term deposits, including building savings schemes in household savings fell to 61.2%, i.e. the lowest level in the reporting period.

[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.

Savings in pension funds showed their lowest absolute and relative year-on-year growth over the reporting period, deepening the previous slight decline in the importance of supplementary pension insurance and supplementary pension savings in the household savings structure, with the share of pension funds falling by 1.0 pp year on year to 9.1%. Household savings under life insurance products again recorded a year-on-year decline, which also led to a decrease in their share in household savings by 0.5 pp year on year and by 2.8 pp over the reporting period to 3.8%.

Debt securities contributed to the increase in total household savings, given their above-average absolute year on-year growth over the reporting period, which was due to both upward repricing and the growth in flows. As a result, the share of debt securities in household savings increased slightly year on year to 4.3%. In the case of listed shares, both factors, i.e. positive effects of repricing and flows-driven increase in volume, were also at work, leading to the highest absolute increase in their volume since the methodological change in the reporting of this category in 2019 and their share in household savings thus increased by 0.2 pp year on year to 4.1%.

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 2018 and 2023.

4 INSTITUTIONAL ASPECTS OF THE FINANCIAL MARKET

4.1 Number of Financial Market Entities

In 2023 there were no major changes in the number of entities in the individual financial market segments. The medium-term strong continuous growth of investment funds, both those with legal personality and those operating under the single European Passport was confirmed. There was also a persisting continuous growth in the number of mutual funds since 2020.

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

As at 31 Dec	2018	2019	2020	2021	2022	2023	Year-on-year change
Credit institutions							
Banks	50	49	49	46	44	46	2
of which: foreign banks branches	27	25	25	23	23	24	1
of which: building savings banks	5	5	5	5	5	5	0
Credit unions	10	9	8	7	6	6	0
Capital market							
Management companies	31	35	39	44	47	47	0
Investment funds with legal personality	138	156	188	213	249	280	31
of which: collective investment funds	1	4	8	9	10	11	1
of which: qualified investor funds	137	152	180	204	239	269	30
Mutual funds	242	252	234	253	284	312	28
of which: collective investment funds	153	158	144	149	167	184	17
of which: qualified investor funds	89	94	90	104	117	128	11
Investment firms (incl. foreign branches)	79	76	77	76	70	78	8
Investment intermediaries	6,847	191	163	153	138	111	-27
Tied agents	21,409	18,409	13,470	14,229	15,178	16,262	1,084
Pension management companies	8	8	9	9	9	9	0
Pension funds	36	38	39	42	44	44	0
Insurance							
Insurance companies	48	47	44	41	41	41	0
of which: branches of foreign insurance companies	20	20	17	18	18	18	0
Reinsurance companies	1	1	1	1	1	1	0
Insurance intermediaries	185,125	38,481	38,001	30,877	32,448	34,670	2,222

Source: CNB, MoF calculations

In the sector of credit institutions, changes occurred only in the dominant banking sector, where the total number of entities increased by 2, as none of the entities ceased activity and, conversely, 2 entities obtained a licence to operate. These were a branch of a foreign bank, Dell Bank International Designated Activity Company, Czech Republic Branch, and Partners Banka, a.s., which obtained its licence in August 2023. The bank had been already listed in the Commercial Register since the end of 2020, and it started its activities for the public in March 2024.

In the capital market, the number of entities increased across all the sub-categories, with the exception of investment intermediaries, whose number fell by 27 entities to a minimum in the reporting period. However, this decline was less significant than the major declines in 2019 and 2020 when new licensing rules for these entities had come into play. The number of investment firms increased by 8 entities. The number of investment funds with legal personality continued to grow significantly (by 31 entities year on year and by 142 entities in the last 5 years, i.e. it more than doubled), while the number of investment companies stabilised. The number of mutual funds reached its highest level in the reporting period (312 entities), increasing by 28 entities year on year, and resulting in an almost 29% increase in a five-year comparison.

In the sector of pension management companies, pension funds, insurance and reinsurance companies the number of entities remained the same in 2023. However, in the insurance sector, NOVIS Pojišťovna, a branch in the Czech Republic, ceased to operate as of 1 June 2023 and, on the contrary, PREMIUM Pojišťovna, a branch in the Czech Republic, entered the market as of 1 October 2023. The number of insurance intermediaries went up by 2 222 to 34 670.

The number of entities operating on the Czech financial market on the basis of a single European passport increased in 2023 across all sectors (Table 4.2). The persistent increase in the number of investment funds has led to their maximum number in the reporting period (2 328 funds), with a 40% increase over the last five years.

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

As at 31 Dec	2018	2019	2020	2021	2022	2023	Year-on-year change
Credit institutions	443	467	468	414	453	464	11
Insurance companies	973	985	983	837	846	868	22
Investment funds	1,657	1,716	1,828	1,914	2,094	2,328	234
Management companies	41	51	55	51	51	52	1

Source: CNB – JERRS, MoF calculations

4.2 Guarantee Schemes

The strengthening of the client protection and of the financial market in the Czech Republic as a whole is the task of two guarantee systems, namely the Financial Market Guarantee System and the Investor Compensation Fund.

The Financial Market Guarantee System (FMGS) is a statutory institution that manages financial resources intended to secure and maintain the stability of the financial market in the Czech Republic. The FMGS manages two accountingly separate funds, namely the Deposit Insurance Fund (DIF) and the Crisis Resolution Fund (CRF). The FMGS 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 compensations from the DIF is ensured by the FMGS 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[7].

Credit institutions participating in the deposit insurance scheme paid contributions[8] of CZK 1.9 billion to the DIF in 2023 (Table 4.3). Financial reserves at the end of 2023 amounted to CZK 17.6 billion, with compensation of CZK 0.3 billion being disbursed from the DIF in connection with continuing payments to clients of Sberbank CZ, a.s.

Table 4.3: Basic indicators of DIF

As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change
Contributions	1.0	1.1	1.1	1.3	1.4	1.9	0.5
Compensation payments	0.0	0.0	0.0	0.1	25.3	0.3	-25.0
Financial reserves	31.7	34.1	35.5	37.3	14.2	17.6	3.4

Source: FMGS, MoF calculations

7 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.

8 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.

The CRF is designed to finance the resolution of banks and selected investment firms. It pools funds 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, initiates the process of deposits compensation to the clients. In 2023, the CRF Fund received contributions of CZK 4.5 billion from mandatory institutions, the second highest amount since it was established.[9] The total CRF's financial reserves reached CZK 34.1 billion.

Table 4.4: Basic indicators of CRF

As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change
Contributions	3.1	3.5	3.8	4.3	4.9	4.5	-0.4
Financial reserves	9.2	12.8	16.7	21.2	27.5	34.1	6.6

Source: FMGS, MoF calculations

The latter of the two guarantee schemes on the Czech Republic's financial market is the guarantee fund of investment firms called Investor Compensation Fund (ICF). It ensures the pay-outs of compensations 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 amount calculated in accordance with the applicable provisions of the Capital Market Business Act, up to a maximum amount equivalent to EUR 20,000.

The main source of the ICF's assets are contributions made by the involved entities, i.e. investment firms and management companies managing clients´ assets. In 2023, the ICF received the highest amount of contributions in its history, amounting to CZK 301.0 million. Its financial reserves reached CZK 1.8 billion. In 2023 no compensation was paid from the ICF.

Table 4.5: Basic indicators of ICF

As at 31 Dec	2018	2019	2020	2021	2022	2023	Year-on-year change
Contributions (CZK mn)	198.9	249.5	223.4	281.1	278.0	301.0	23.0
Compensation payments (CZK mn)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Financial reserves (CZK bn)	1.3	1.1	1.2	1.3	1.5	1.8	0.3

Source: ICF, MoF calculations

4.3 Financial Arbitrator

The Financial Arbitrator (FA) has been established by the state as an out-of-court resolution body for selected disputes between consumers and financial institutions. It operates on the financial market since 2003, and its remit has been gradually expanded. It 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 loans and building savings loans), collective investment and investment services, foreign exchange incl. dynamic currency conversion, life insurance, supplementary pension insurance, supplementary pension savings, and pan-European personal pension products. The FA is thus empowered to resolve consumer disputes almost across the entire financial market, except for the non-life insurance disputes and disputes involving shareholders and bondholders.

In 2023, the FA initiated 2,661 new proceedings and dealt in total with 3,324 disputes as further 663 previously initiated proceedings were pending alongside the newly initiated ones (Table 4. 6.). This represented a significant year-on-year increase in newly initiated proceedings, with almost four-fifths of them concerning consumer credit as the number of new consumer credit disputes more than doubled during the year. By contrast, the number of new proceedings related to payment services and life insurance fell slightly year on year. The total value of disputes reached almost CZK 100 million.

[9] 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.

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

As at 31 Dec	2018	2019	2020	2021	2022	2023	Year-on-year change
Proceedings commenced	1,393	1,170	1,221	1,699	1,425	2,661	1,236
of which: payment services	130	141	179	209	406	373	-33
consumer credit	513	664	786	1 294	825	2,097	1,272
life insurance	626	246	172	110	98	83	-15
Total proceedings pending	3,622	3,142	2,425	2,820	2,525	3,324	799

Source: FA, MoF calculations

4.4 Economic Results of Financial Institutions

All the financial market sectors monitored recorded a positive profit before tax in 2023 and, with the exception of insurance companies, the highest in the reporting period (Table 4.7). Insurance companies reported the highest absolute increase in profits (by CZK 4.0 billion) and the second highest profits since the end of 2018, with their robust 2021 result being affected by the one-off extraordinary accounting transactions related to corporate changes. In 2023 the banking sector recorded its highest profit since 2008.[10] Among the sectors monitored, the highest profit growth rate (42.4%) was achieved by the pension management companies. More than 20% year-or-year increase in profit was also recorded by the non-bank investment firms (25,5%) and insurance companies (20.9%)[11]. The profit of management companies went up by 14.1%. Among the financial market sectors, banks again generated the highest absolute volume of profit (almost 80%), but their share fell by 3 pp year on year, mainly in favour of insurance companies, whose share rose by 2 pp to 15.1%.

Table 4.7: Profit/loss of financial institutions before tax

As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Banks	98.0	109.2	57.4	85.5	121.8	123.0	1.2	1.0
Insurance companies	17.4	20.1	17.8	31.3	19.4	23.4	4.0	20.9
Pension management companies	1.7	2.3	2.3	2.6	2.7	3.9	1.2	42.4
Management companies	1.4	1.5	1.5	2.0	2.3	2.6	0.3	14.1
Non-bank investment firms	0.8	0.8	1.2	1.4	1.4	1.8	0.4	25.5

Source: CNB – ARAD, MoF calculations

10 Year 2008 is the beginning of the relevant time series of the CNB's database – ARAD.

11 The result of the insurance companies was partly affected by the transition of 2 entities to the accounting methodology according to IFRS 17.

5 CREDIT INSTITUTIONS AND OTHER PROVIDERS OF ASSET FINANCING

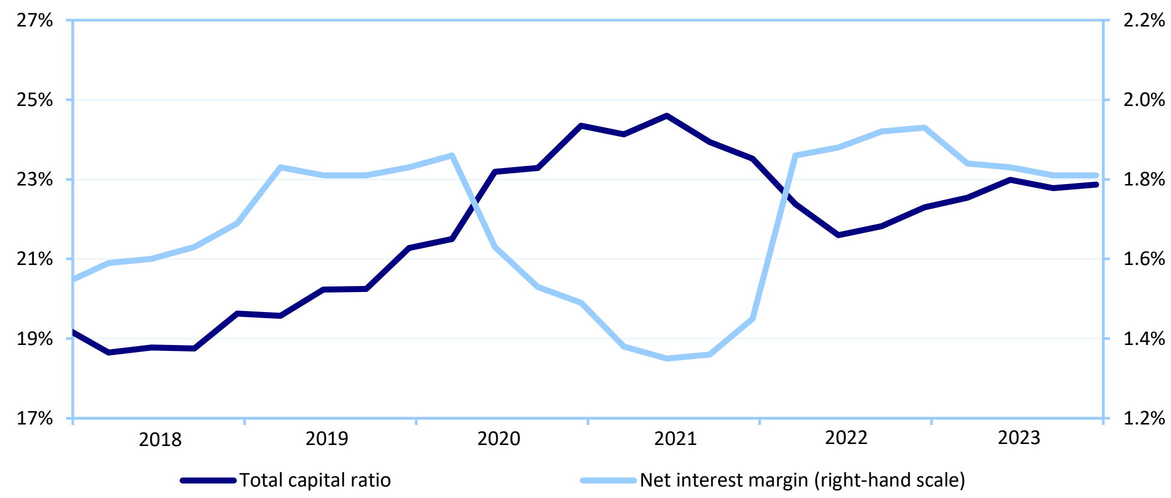
This chapter focuses primarily on credit institutions. i.e. banks (most parts of Chapter 5), including building savings banks (Chapter 5.7) and credit unions (Chapter 5.8). Specific topics are also covered, such as interest rates (Chapter 5.4), deposits and loans (Chapter 5.5) and mortgage loans (Chapter 5.6). Another chapter (Chapter 5.9) covers with the developments of the non-bank financing providers. This sub-sector offers products[12] which are a relatively close substitute for bank loans and, when granted to retail clients, enter into the overall household indebtedness indicator, which is the subject of the last chapter (5.10).

5.1 Main Developments in the Banking Sector

The developments in the banking sector in 2023 were mainly influenced by the ongoing effect of the CNB's elevated monetary policy rates. Volumes of assets, client deposits and loans all rose to new all-time highs. Credit quality improved for the third consecutive year, with the share of non-performing loans falling to its lowest level on record. Profit before tax increased only slightly year on year to its all-time high. Long-term factors, including in particular the generally high capital adequacy ratio and the consistently high and rising client deposit-to-loan ratio, continued to underpin the overall resilience of the sector.

The total capital ratio, as a key indicator of the sector's resilience, rose slightly by 0.6 pp year on year to 22.9% in 2023. This marked an end to a period of decline in the previous two years following the lifting of dividend pay-out restrictions introduced in 2020 in response to the potential impact of the COVID-19 pandemic (Figure 5.1). Building savings banks, a sub-segment of the banking sector, reported a 5.2 pp rise in its total capital ratio to 27.2%, driven mainly by an increase in its capital volume. For banks excluding building savings banks, the total capital ratio increased by 0.4 pp year on year to 22.7%. The net interest margin, one of the key drivers of profitability, declined slightly by 0.1 pp to 1.8%, reflecting the higher growth rate in interest expenses than in the corresponding revenues in parallel with the growth in the volume of banks' total assets.

Graph 5.1: Total capital ratio and net interest rate margin



Source: CNB – ARAD

Total banking sectors assets, including building savings banks (Table 5.1), again reached an all-time high of CZK 9.9 trillion at the end of 2023[13]. The year-on-year asset growth rate of 11.1% was markedly the highest within the reporting period since 2018. The main driver of the balance sheet growth was the increase of client

[12] 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, crowdfunding, etc.

[13] 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.

deposits, which accelerated by 7.9 pp year on year to 14.4%. In contrast, the year-on-year growth rate of client loans was approximately half (7.0%), which resulted in a significant increase of 9.9 pp in the figure of the client deposit-to-loan ratio to 153.8%, its highest level in the reporting period.

Table 5.1: Banking sector key indicators

As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Total assets	7,329.5	7,623.6	8,018.0	8,603.2	8,943.2	9,937.1	993.9	11.1
Client loans	3,306.4	3,450.5	3,595.6	3,847.8	4,071.7	4,356.5	284.8	7.0
Client deposits	4,445.6	4,739.3	5,162.0	5,502.3	5,858.9	6,701.2	842.3	14.4
Deposit-to-loan ratio (%)	134.5	137.4	143.6	143.0	143.9	153.8	9.9	6.9
Total capital ratio (%)	19.6	21.3	24.4	23.5	22.3	22.9	0.6	2.5

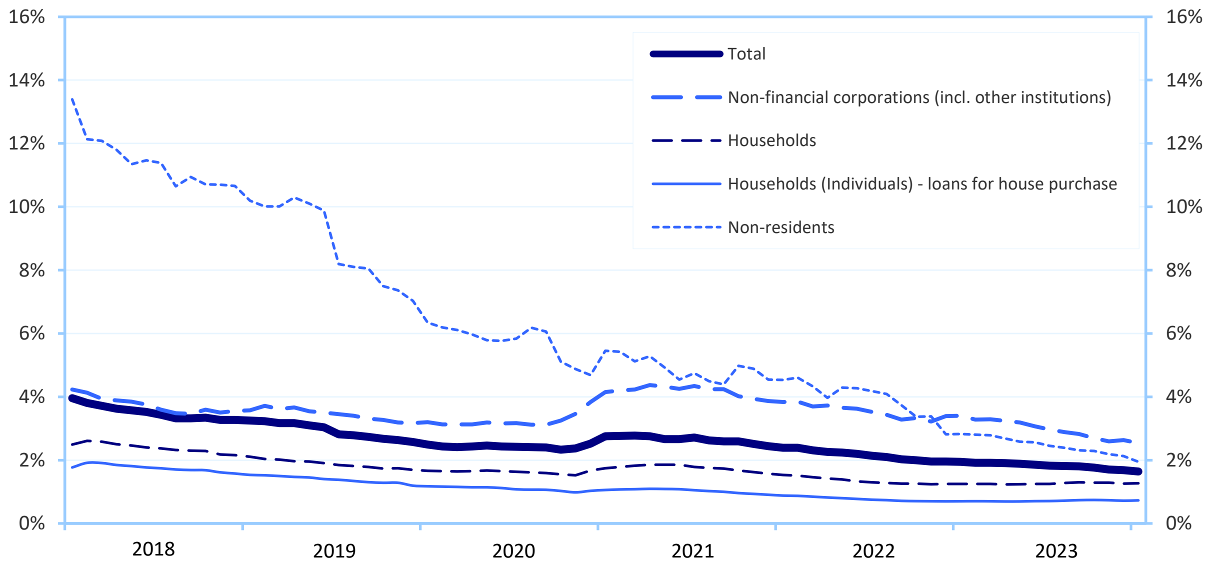
Source: CNB – ARAD, MoF calculations

5.2 Banking Sector Assets and the Credit Portfolio Quality

The structure of assets remained largely unchanged year on year in terms of its most important components. Loans and other receivables from clients remained the dominant part of the assets, with their share falling slightly by 1.7 pp year on year to 43.8%. Banks held more than a quarter of their assets (25,7%) in the form of exposures to the central bank[14], with the share of this balance sheet item increasing by 2,6 pp year on year. Domestic central government bonds accounted for 13.8% of assets. Their volume increased by almost a fifth year on year and by 178.1% over the reporting period since the end of 2018, significantly increasing the size of banks' exposure[15] to the government sector.

Since client loans have long been a key component of bank assets, it is worth taking a closer look at their quality. The total client non-performing loans ratio fell for the third consecutive year by 0.3 pp year on year to 1.6%, i.e. to the lowest level on record. Most of the client sectors monitored also recorded a decline of the share of non-performing loans (Graph 5.2). The exceptions were loans to households for house purchase, and the aggregate category of loans to households, where there was a very slight increase to 0.7% and 1.3% respectively.

Graph 5.2: Non-performing loans ratio by client sector and branch of economic activity



Source: CNB – ARAD[16], MoF calculations

14 Typically, these are repo operations.

15 As part of its stress test of Czech public finances conducted in the first half of 2024, the CNB assessed these exposures as systemically important, but did not identify the need to require additional capital.

16 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 total profit before tax for 2023 rose by CZK 1.2 billion year on year to CZK 123.0 billion, reaching its highest level since 2008[17] (Table 5.2). However, its annual growth rate has slowed significantly compared to the previous two years.

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

As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Net interest income	129.8	145.7	126.9	128.9	171.9	167.9	-4.0	-2.3
Interest income	179.2	225.9	186.1	184.7	431.0	564.4	133.5	31.0
Interest expenses	49.4	80.2	59.2	55.8	259.1	396.5	137.4	53.0
Net fee and commission income	33.6	33.1	30.9	34.9	38.1	40.1	2.0	5.3
Fee and commission income	46.1	44.3	42.9	48.5	52.7	56.3	3.6	6.9
Fee and commission expenses	12.4	11.2	12.0	13.5	14.5	16.2	1.6	11.0
Administration costs	76.7	77.7	73.3	75.5	79.2	86.0	6.9	8.7
Other net income	11.4	8.1	-27.1	-2.7	-9.0	1.0	10.0	--
Total profit or (-) loss before tax	98.0	109.2	57.4	85.5	121.8	123.0	1.2	1.0

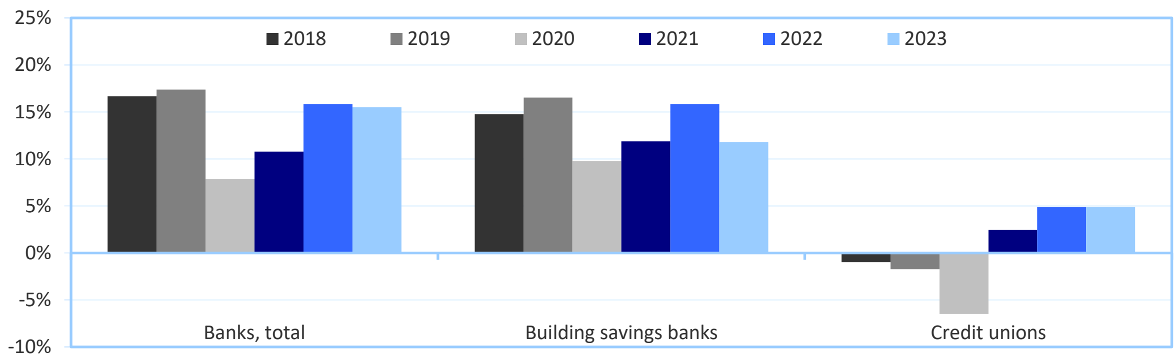
Source: CNB – ARAD, MoF calculations

Of the four aggregated items monitored, the category of other net income had a positive impact on the year-on-year profit development (increase by CZK 10.0 billion), which was particularly favourably influenced by the growth in profits from exchange rate differences (by CZK 8.8 billion) and a decrease in provisioning (by CZK 4.2 billion). Impairment losses as part of other net income were relatively stable year on year (up CZK 0.1 billion). The aggregate category of net fee and commission income also had a positive impact on total profit, with a year-on-year increase of CZK 2.0 billion.

On the contrary, the development of net interest income had a negative impact on the total profit, as it decreased by CZK 4.0 billion year on year. The increase in interest expenses (CZK 137.4 billion) was higher than the increase in the income (CZK 133.5 billion). Interest income rose year on year again thanks to higher interest on banks' funds allocated under repo operations with the central bank and continued growth in interest on loans. However, at the same time, interest expenses rose due to the increase in interest rates on deposits. Among the aggregate categories, the total profit was negatively affected by a rise in banks' administrative expenses by CZK 6.9 billion.

The banking sector's return on Tier 1 capital fell slightly by 0.4 pp year on year to 15.5%, remaining close to the levels achieved in the period before the COVID-19 pandemic (Graph 5.3). A more significant year-on-year decline occurred in the building savings banks segment (by 4.1 pp. to 11.8%), marking the second lowest figure for this indicator over the reporting period. By way of comparison, within the credit institutions sector, the credit unions sector profitability was almost unchanged year on year in 2023, again reaching 4.9%, i.e. around one third of the banking sector.

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



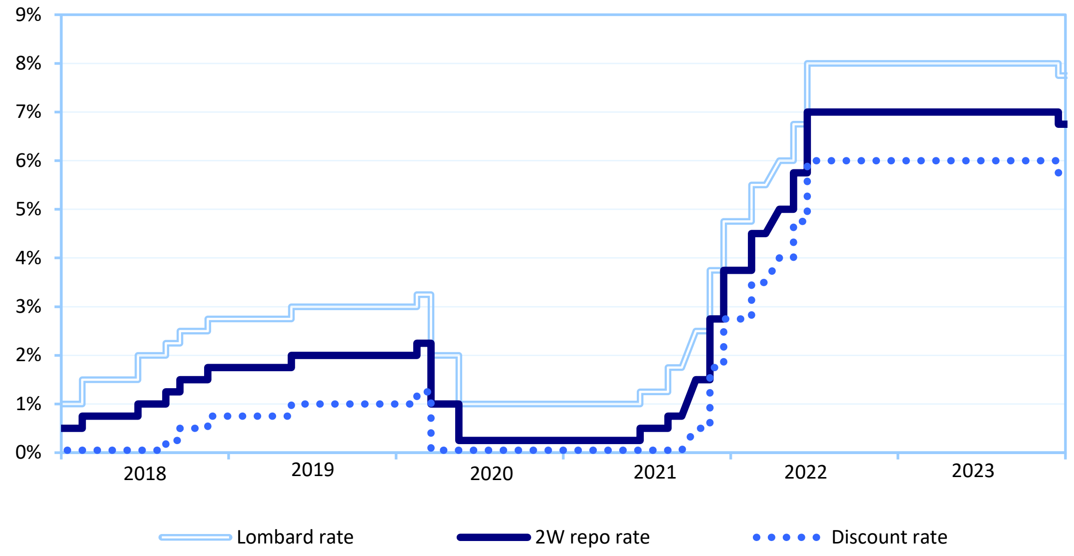
Source: CNB – ARAD, MoF calculations

[17] Year 2008 is the beginning of the relevant time series of the CNB's database – ARAD.

5.4 Interest Rate Developments

Market interest rate developments in the banking sector are significatnly influenced by the effects of monetary policy instruments. In the course of 2023, the CNB largely maintained its policy stance of interest rate stability initiated in the second half of 2022. At the end of 2023, in the context of weakening inflationary pressures, the CNB took one rate cut in December by 0.25 pp. The relative spread between the respective monetary policy rates remained at the usual level of 1 pp (Graph 5.4).

Graph 5.4: CNB interest rates



Source: CNB – ARAD

As monetary policy rates were maintained at elevated levels, this was reflected in a continued year-on-year growth in most of the average annual koruna-denominated interest rates on client deposits and loans monitored (Table 5.3). Interest rates on deposits of households and non-financial corporations, as well as on loans to non-financial corporations, rose to their highest levels in more than 20 years. Average annual interest rates on loans to households also rose, but less so than those to non-financial corporations, with a higher share of loans with longer interest rate fixation periods, particularly in the case of loans for house purchase.

Table 5.3: Average interest rate

Average for the period (% p.a.)		2018	2019	2020	2021	2022	2023
Deposits	households	0.3	0.4	0.3	0.3	1.2	2.1
	non-financial corporations	0.1	0.4	0.2	0.1	2.0	3.3
Loans	to households	3.8	3.7	3.5	3.3	3.4	3.9
	for consumption	10.2	9.5	9.0	8.4	8.3	8.7
	for house purchase	2.5	2.5	2.5	2.4	2.6	3.0
	to non-financial corporations	3.1	3.8	2.9	3.0	6.5	7.4

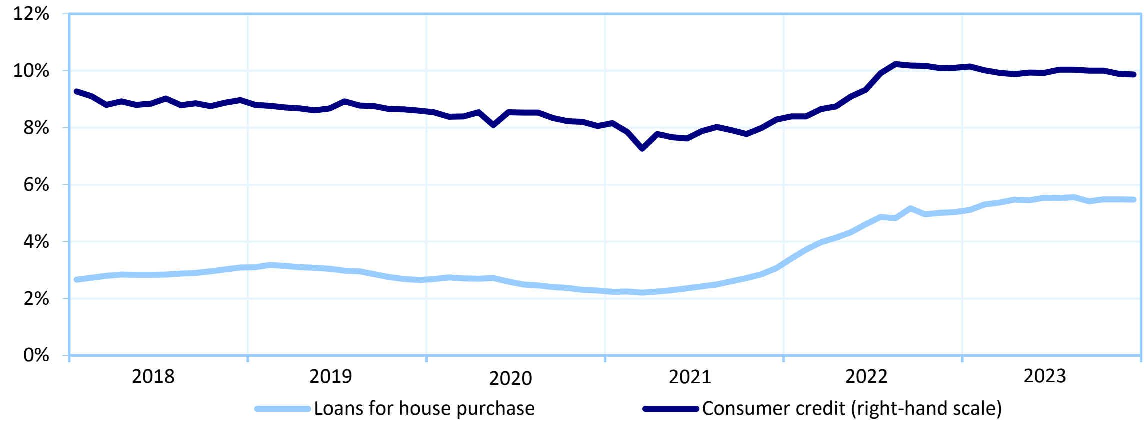
Source: CNB – ARAD, MoF calculations

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

In the case of loans to households, in addition to the interest rates as a basic measure of the cost of these loans, it is appropriate to also monitor a more comprehensive indicator that encompasses other loan costs in the form of the APRC.[18] The APRC on newly granted loans for house purchase continued to rise for the third year, increasing slightly by 0.4 pp year on year to 5.5% (Graph 5.5), having last been at these levels in 2010. The APRC on newly granted consumer loans was broadly unchanged, falling by 0.2 pp to 9.9%.

[18] 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 outstanding volume of client deposits[19] grew by 14.4% and stood at CZK 6.7 trillion. (Table 5.4). The annual growth rate was thus 7.9 pp higher year on year and also the highest in the reporting period since 2018, driven mainly by developments in the government and financial institutions sectors (annual growth of 81.6% and 40.0%, respectively). On the other hand, the two most important sectors by volume, households and non-financial corporations, recorded annual growth rates close to the average of the reporting period. The lowest growth rates were recorded in case of the two smallest sectors, non-residents and non-profit institutions.

The absolute increase in total client deposits by CZK 842.3 billion was the highest in the reporting period. However, in the year-on-year comparison of the sectors, the highest increase was not recorded by households as in previous years, but by government institutions. The share of households' deposits in total deposits, which has long exceeded half of all deposits, fell by 3.5 pp to 54.5%. The share of non-financial corporations also decreased (by 1.4 pp to 21.9%).

Table 5.4: Deposits with banks by client sector[20]

As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Households	2,558.5	2,725.5	3,056.8	3,264.7	3,396.4	3,651.2	254.8	7.5
Non-financial corporations (including other institutions)	1,041.2	1,094.8	1,217.9	1,308.9	1,367.0	1,470.1	103.1	7.5
Government institutions	278.8	301.7	302.4	325.3	398.6	723.7	325.2	81.6
Financial institutions	282.5	310.8	260.2	273.2	377.5	528.6	151.1	40.0
Non-residents	244.9	262.8	274.7	273.9	257.4	263.2	5.9	2.3
Non-profit institutions	39.8	43.8	49.9	56.3	62.0	64.3	2.3	3.8
Total	4,445.6	4,739.3	5,162.0	5,502.3	5,858.9	6,701.2	842.3	14.4
of which term deposists	963.1	1,085.5	889.4	978.7	1,650.7	2,354.8	704.1	42.7

Source: CNB - ARAD, MoF calculations

Looking at the structure of deposits by maturity, the share of term deposits rose significantly for the second year in a row, by 7.0 pp to 35.1%, i.e. to the highest level in the reporting period. The share has almost doubled since the end of 2021. This was driven by the maintenance of monetary policy rates at elevated levels, reflected in higher growth in interest rates on term deposits, and the related tendency of some depositors to take advantage of the period of higher interest rates to create deposits with longer maturities.

The outstaning volume of client loans grew by 7.0% and reached almost CZK 4.4 trillion (Table 5.5). The year-on-year growth rate was thus 1.1 pp higher than the average for the reporting period, which was almost

19 Deposits or loans to the central bank and other credit institutions are not included.

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

6%. All monitored sectors showed year-on-year growth. The two dominant sectors, however, recorded developments of their annual growth rates different from each other, with growth rate of loans to households essentially stagnating, but in the case of non-financial corporations increasing by 5.7 pp to 9.8%, their highest growth rate over the reporting period. Non-residents and non-profit institutions ahead of the other sectors recorded the highest growth rates in 2023, which were more than double their averages for the reproting period.

In terms of absolute changes in the respective sectors, the annual increase in loans to non-financial corporations (by CZK 121.0 billion) was newly dominant in contrast to previous years, which was also their highest during the reporting period. Almost a doubling in the volume of the year-on-year increase was recorded by non-residents, who also recorded their largest absolute increase over the reporting period.

Table 5.5: Bank loans by client sector[21]

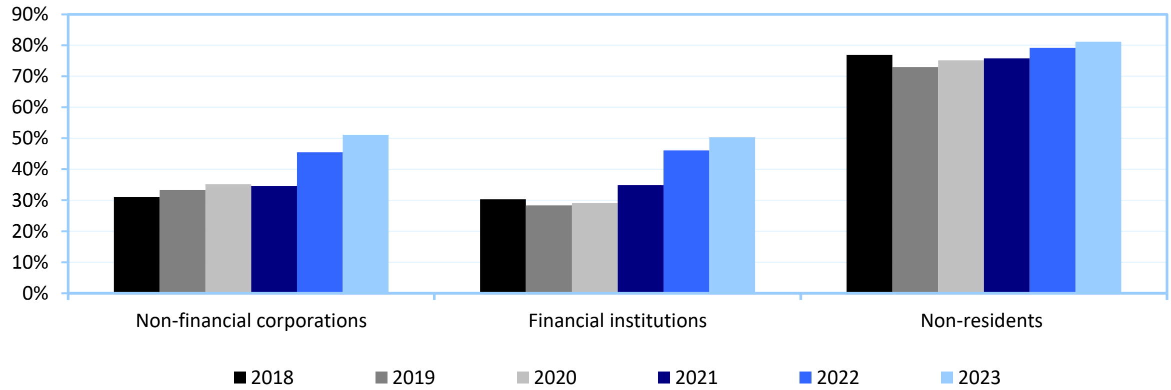
As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Households	1,642.7	1,745.0	1,858.7	2,043.4	2,141.1	2,242.0	100.9	4.7
Non-financial corporations (including other institutions)	1,080.3	1,119.9	1,123.0	1,188.3	1,237.1	1,358.1	121.0	9.8
Government institutions	48.8	49.3	54.0	58.6	62.0	63.2	1.2	1.9
Financial institutions	206.3	213.4	210.5	234.8	284.0	299.5	15.5	5.5
Non-residents	325.2	319.8	345.7	319.3	344.5	390.4	45.9	13.3
Non-profit institutions	3.2	3.0	3.7	3.3	3.0	3.3	0.4	12.0
Total	3,306.4	3,450.5	3,595.6	3,847.8	4,071.7	4,356.5	284.8	7.0

Source: CNB - ARAD, MoF calculations

The share of foreign currency loans in total client loans rose by 2.9 pp year on year to 26.9%, partly also due to the conversion effect of the depreciation of the Czech koruna against the euro during 2023, in which the majority of foreign currency loans were denominated.

All the sectors that are key in this respect recorded a year-on-year increase in the share of foreign currency loans (Graph 5.6), namely non-financial corporations (by 5.7 pp to 51.1%), financial institutions (by 4.4 pp to 50.3%) and non-residents (by 1.4 pp to 81.2%). Growth in these sectors, i.e. their demand for foreign currency financing, was driven by the persisting positive differential between the CNB's monetary policy rates and, in particular, the ECB's policy rates. Nevertheless the differential was decreasing over the course of 2023 due to the ECB's rate hikes. On the contrary, households continued to have only a negligible share of foreign currency loans both in 2023 and in the long term, which stood at only 0.4% despite a slight increase of 0.2 pp during the reporting period since the end of 2018. The share of foreign currency loans to non-financial corporations increased by 20.0 pp over the reporting period, while the share of foreign currency loans to financial institutions also increased by 20.0 pp over the reporting period.

Graph 5.6: Share of foreign currency loans to selected client sectors



Source: CNB - ARAD, MoF calculations

21 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).

5.6 Mortgage Market

Mortgage[22] market activity increased year on year in 2023, but was nevertheless weak for the second year in a context of continued elevated monetary policy rates and inflationary pressures, which were reflected in a decline in real wages and the borrowing capacity of households. The higher dynamics was mainly due to faster growth in the number of contracts and volume of new mortgages for non-residential property and other purposes. In the case of loans for residential housing, the impact of refixations of mortgage loans granted in the previous years increased.

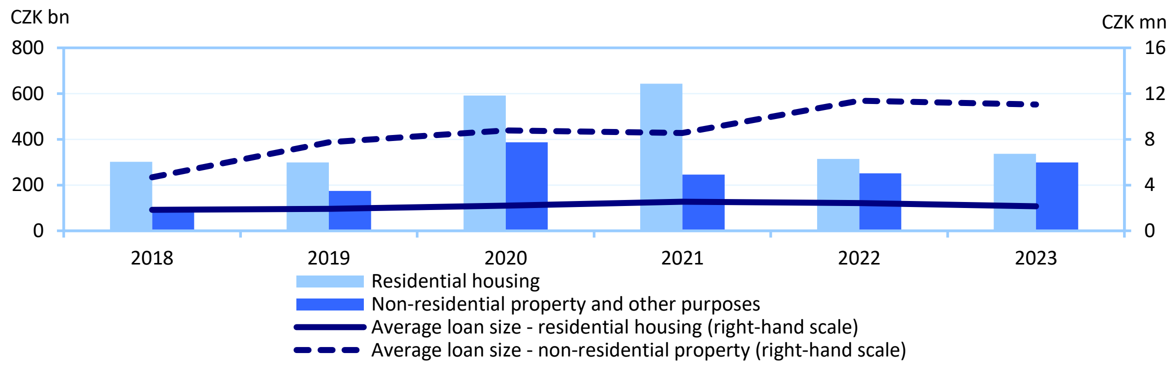
The volume of newly granted mortgage loans (i.e. including refixations and refinancing)[23] increased by 12.3% year on year to CZK 636.3 billion in 2023, while the number of contracts increased by more than a fifth to 184,4 thousand (Table 5.6). The segment of mortgage loans for non-residential property and other purposes grew more strongly, both in volume (by 18.7%) and in the number of contracts (by 22.2%). The volume of newly granted loans for non-residential property, at CZK 299.2 billion, was the second highest in the reporting period since 2018, and accounted for almost half of the volume (47.0%) of newly granted mortgages in that year. The segment of mortgage loans for residential housing grew at a more moderate pace (by 7.2% in volume, 20.6% in number), but the volume of new loans, at CZK 337.1 billion, exceeded not only the value of the previous year, but also of the first two years in the reporting period. Nevertheless, the share of this category of loans in the total volume of newly granted mortgage loans decreased by 2.5 pp year on year to 53.0%, the lowest level in the reporting period (Graph 5.7).

Table 5.6: Newly granted mortgage loans by manner of acquisition

	As at 31 Dec	2018	2019	2020	2021	2022	2023	Year-on-year change	
								Abs.	(%)
Residential housing	number (000's)	164.6	155.7	268.5	253.3	130.5	157.4	26.9	20.6
	volume (CZK bn)	301.7	299.6	591.4	643.8	314.4	337.1	22.7	7.2
	share on volume (%)	77.1	63.2	60.4	72.3	55.5	53.0	-2.5	-4.6
	number (%)	89.6	87.3	85.9	89.8	85.5	85.3	-0.2	-0.2
	average volume (CZK mn)	1.8	1.9	2.2	2.5	2.4	2.1	-0.3	-11.1
Non-residential property and other purposes	number (000's)	19.1	22.6	44.2	28.8	22.1	27.1	4.9	22.2
	volume (CZK bn)	89.6	174.8	387.7	246.2	252.0	299.2	47.2	18.7
	share on volume (%)	22.9	36.8	39.6	27.7	44.5	47.0	2.5	5.7
	number (%)	10.4	12.7	14.1	10.2	14.5	14.7	0.2	1.1
	average volume (CZK mn)	4.7	7.7	8.8	8.6	11.4	11.1	-0.3	-2.8
Total	number (000's)	183.7	178.2	312.7	282.1	152.6	184.4	31.8	20.8
	volume (CZK bn)	391.2	474.4	979.1	890.0	566.4	636.3	69.9	12.3

Source: CNB – ARAD, MoF calculations

Graph 5.7: Newly granted mortgage loans by manner of acquisition



Source: CNB – ARAD, MoF calculations

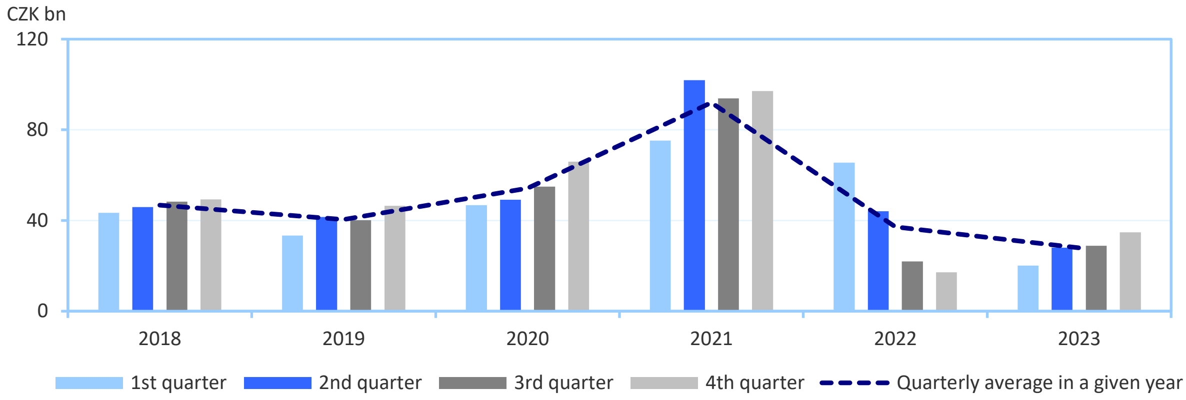
[22] Since 2019, due to changes in the regulatory framework, a mortgage loan is a loan whose repayment, including accessories, is at least partially secured by a lien on the property.

[23] Newly granted mortgage loans consist of so-called purely new mortgage loans (new mortgage loans into the economy, including increases), refinanced mortgage loans (from another lending institution), and other lending arrangements (i.e., refixations, credit consolidations, credit moratoriums).

The growth in residential property prices stalled during 2023 and event turned slightly negative in the middle of the year, but the prices of flats remained at high levels[24]. The average amount of a newly granted mortgage loan for residential housing decreased year on year for the second time in a row, by around CZK 270,000 to CZK 2.1 million (Graph 5.7). This level appears to have been affected more strongly in 2023 than in the past by the average amount of existing loans entering refixations and refinancing. By contrast, the average amount of newly granted mortgage loans for non-residential property in 2023 remained roughly at the previous year's level, above CZK 11 million in 2023 as in 2022, which was 2.4 times higher than in 2018.

Defining mortgage loans for residential housing more narrowly as loans granted to the private individuals[25], the volume of newly granted loans of so called purely new mortgage loans and refinanced loans continued to decline for the second year (see Table 5.7). The volume of purely new mortgage loans fell by a quarter to CZK 111.7 billion throughout the year, especially in Q1 2023 (Graph 5.8), which followed the lowest production in the reporting period in the immediately preceding Q4 2022. Later in 2023, although there was a slight recovery, the average quarterly production of purely new mortgage loans of CZK 27.9 billion in 2023 was still the lowest in the reporting period since 2018. This development may have reflected continued limited supply and reduced affordability of housing, combined with expectations of a decline in higher mortgage rates in 2023.

Graph 5.8: Purely new mortgage loans to private individuals for residential housing



Source: CNB – ARAD, MoF calculations

The volume of refinanced loans fell by 20.8% year on year to CZK 18.3 billion, the lowest value in the reporting period (Table 5.7). By contrast, so-called other credit arrangements recorded an unusual growth of 50.1%. Although this category had risen even more year on year in the past, by 183.3% in 2020, this was mainly due to credit moratoria (deferred repayment arrangements) during the COVID-19 pandemic. However, in 2023 refixations of mortgage loans granted in previous years were very strongly reflected in the category of other loan arrangements, increasing their share of newly granted mortgage loans to the private individuals for residential housing to 57.2% (see Table 5.7).

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

	As at 31 Dec	2018	2019	2020	2021	2022	2023	Year-on-year change	
								Abs.	(%)
Newly granted ML (CZK bn)	Purely new ML	186.9	161.5	216.8	367.9	148.7	111.7	-37.0	-24,9
	Refinancing	34.6	29.2	49.3	91.4	23.2	18.3	-4.8	-20,8
	Other amendments	82.9	83.8	237.4	151.9	116.0	174.1	58.1	50,1
Share on total (%)	Purely new ML	61.4	58.8	43.1	60.2	51.7	36.7	-14.9	-28,9
	Refinancing	11.4	10.6	9.8	15.0	8.0	6.0	-2.0	-25,1
	Other amendments	27.2	30.5	47.1	24.9	40.3	57.2	16.9	42,0
Total newly granted ML (CZK bn)		304.4	274.5	503.6	611.2	287.8	304.1	16.3	5.7

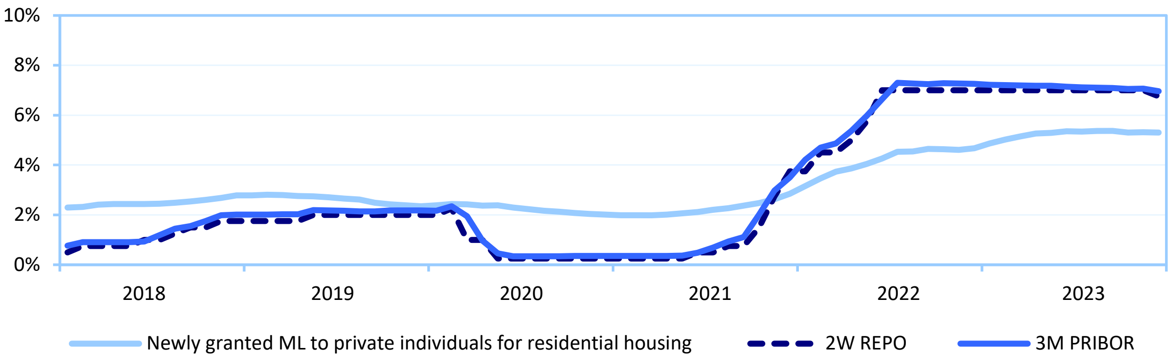
Source: CNB – ARAD, MoF calculations

[24] According to the CNB, the rate of overvaluation of housing prices in the Czech Republic in 2023 was 60%.

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

During 2023, the average monthly interest rate on newly granted mortgage loans to the private individuals for residential housing continued to rise, from an initial level of 4.86% in January 2023 to a peak of 5.37% in September 2023 and 5.31% in December 2023 (Graph 5.9). It was thus below the CNB's key monetary policy rate (i.e. the 2W repo rate) throughout the year, with the highest spread between these rates (2.14 pp) occurring in January 2023.

Graph 5.9: Interest rates of 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 influenced on the one hand by higher interest rates and expectations of their future decline, and on the other hand by a significant share of refixations[26] of mortgage loans granted in previous years. The volume of the category of fixations of up to 1 year increased year on year by a third to CZK 263.3 billion and accounted for 41.4% of newly granted loans, which was the highest share of this category in the portfolio of new loans in the reporting period. The volume of the category of fixations over 1 to 5 years rose by 40.0% to CZK 294.0 billion (Table 5.8). This category thus accounted for 46.2% of the new granted volume, i.e. 9.1 pp more year on year. By contrast, longer-term fixations of more than 5 years declined significantly year on year (by 16.1 pp) and accounted for only 12.4% of the portfolio of newly granted loans, which was the lowest share of these fixations in a given year and 2.5 times less than its average in the reporting period. In terms of the total volume of outstanding mortgage loans, the category of fixations over 5 years to 10 years, with a share of 35.6% in the portfolio, lost its dominance to the newly most important category of over 1 year to 5 years (38.1%).

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

As at 31 Dec (CZK bn)		2018	2019	2020	2021	2022	2023	Year-on-year change	
								Abs.	%
Newly granted ML	floating/fixed up to 1 year	74.8	133.7	320.9	192.4	194.8	263.3	68.5	35.1
	over 1 and up to 5 years	182.6	164.7	307.5	358.9	210.0	294.0	84.1	40.0
	over 5 and up to 10 years	115.0	150.3	316.9	327.7	150.7	74.2	-76.5	-50.7
	over 10 years	18.9	25.6	33.8	10.9	10.9	4.7	-6.2	-56.6
	Total	391.2	474.4	979.1	890.0	566.4	636.3	69.9	12.3
Total unpaid principal	floating/fixed up to 1 year	309.3	466.6	520.3	506.7	527.2	625.7	98.5	18.7
	over 1 and up to 5 years	848.1	871.4	821.6	891.0	916.8	1 029.2	112.4	12.3
	over 5 and up to 10 years	419.1	549.9	741.9	899.0	980.4	959.6	-20.8	-2.1
	over 10 years	75.1	98.2	100.3	93.3	85.3	83.5	-1.8	-2.1
	Total	1,651.6	1,986.1	2,184.1	2,390.0	2,509.7	2,698.1	188.4	7.5

Source: CNB – ARAD, MoF calculations

The total number of outstanding mortgage loans recorded a year-on-year decline for the second year (see Table 5.9), although this time marginal (by 0.6%). The total loan volume continued its long-term continuous

26 The interest rate fixation of a mortgage loan is the period chosen by the client at the beginning of the contractual relationship and for which the agreed interest rate applies. Before the end of the fixation period, the client is offered a new interest rate for the next fixation period. If the client accepts the offer, the monthly repayments are recalculated according to the new interest rate and repayments continue, i.e. the mortgage is refixed. Alternatively, the client can opt for refinancing, i.e. repaying her/his existing mortgage loan with a new loan from another bank.

growth, with year-on-year growth (of 7.5%) being due to a significant increase in the growth rate of non-residential mortgage loans (from 4.8% to 14.5%). By contrast, the growth rate of loans for residential housing declined slightly (from 5.1% to 4.0%). Since the end of 2018, the total outstanding amount of loans for non-residential property and other purposes more than doubled (106.2%) and outstanding amount of loans for residential housing has increased by around a half (by 46.5%). The total volume of mortgage loans grew by 63.4% to CZK 2.7 trillion during the reporting period. This represented a significant share of the assets of the domestic banking sector.[27]

Table 5.9: Mortgage loans by manner of acquisition

As at 31 Dec		2018	2019	2020	2021	2022	2023	Year-on-year change	
								Abs.	(%)
Residential housing	number (000's)	858.3	920.8	956.6	979.5	942.1	932.2	-9.9	-1.1
	volume (CZK bn)	1,185.8	1,301.1	1,413.3	1,589.2	1,670.7	1,737.4	66.7	4.0
	share on volume (%)	71.8	65.5	64.7	66.5	66.6	64.4	-2.2	-3.3
	number (%)	88.1	87.8	87.4	87.3	87.1	86.7	-0.4	-0.4
Non-residential property and other purposes	number (000's)	115.6	128.5	137.3	142.7	139.5	142.6	3.0	2.2
	volume (CZK bn)	465.8	685.0	770.8	800.9	839.0	960.7	121.7	14.5
	share on volume (%)	28.2	34.5	35.3	33.5	33.4	35.6	2.2	6.5
	number (%)	11.9	12.2	12.6	12.7	12.9	13.3	0.4	2.8
Total	number (000's)	974.0	1,049.3	1,093.9	1,122.2	1,081.6	1,074.8	-6.9	-0.6
	volume (CZK bn)	1,651.6	1,986.1	2,184.1	2,390.0	2,509.7	2,698.1	118.46	7.5

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 for the third consecutive year to 1.2%, the lowest level in the reporting period (see Table 5.10). In the case of the dominant segment of mortgage loans granted to the private individuals for residential housing, the share of non-performing loans remained the lowest in the reporting period after rounding, but the total volume of non-performing loans in this category rose by 11.7% year on year to CZK 10.0 billion, thus breaking the previous two-year downward trend.

Table 5.10: Mortgage loans (ML) by categorisation

As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Total outstanding ML	1,651.6	1,986.1	2,184.1	2,390.0	2,509.7	2,698.1	188.4	7.5
of which to private individuals for residential housing	1,131.4	1,236.3	1,342.9	1,507.2	1,579.5	1,641.9	62.4	4.0
Total non-performing ML	23.7	33.6	44.0	41.5	35.5	31.1	-4.4	-12.3
of which to private individuals for residential housing	13.0	11.4	11.9	11.1	9.0	10.0	1.1	11.7
Share of non-performing ML (%)	1.4	1.7	2.0	1.7	1.4	1.2	-0.3	-18.4
of which to private individuals for residential housing	1.2	0.9	0.9	0.7	0.6	0.6	0.0	7.5

Source: CNB – ARAD, MoF calculations

5.7 Building Savings Banks

Building savings banks recorded a significant year-on-year decrease of about 22% in the number of newly concluded building savings contracts to 377.9 thousand contracts in 2023 (Table 5.11). This was the lowest value

[27] Mortgage loans accounted for more than 60% of the total loans granted to clients by banks.

in the reporting period since 2018. This development reflected the announced change in the level of the state contribution[28] and favourable interest rates on savings product alternatives, resonating with the elevated monetary policy rates in the domestic market. The average target value increased by 38.8% year on year to CZK 873.3 thousand, the highest value in the reporting period. The number of newly increased contracts[29] of 102.7 thousand was also the highest in the reporting period, although the average increase had been continuously declining and reached CZK 134.0 thousand in 2023.

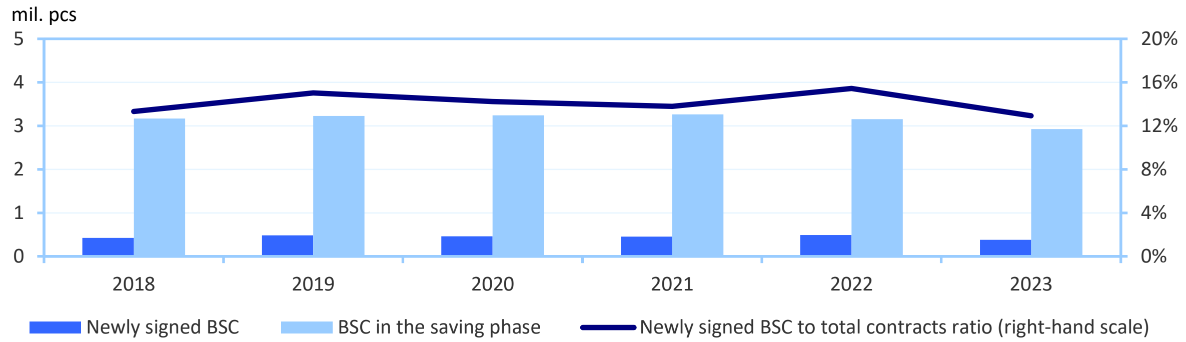
Table 5.11: Main indicators of building savings bank sector – savings

As at 31 Dec	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Newly signed contracts (thousands)	422.0	485.2	461.9	449.9	486.5	377.9	-108.7	-22.3
Average target value (CZK thousands)[30]	470.1	430.5	455.9	808.7	629.1	873.3	244.2	38.8
Newly increased contracts (thousands)	64.3	60.3	57.8	70.5	85.7	102.7	17.1	19.9
Average increase (CZK thousands)[30]	343.6	333.0	271.4	170.0	156.7	134.0	-22.8	-14.5
Contracts in the saving phase (thousands)	3,166.8	3,226.7	3,242.7	3,265.8	3,152.0	2,923.8	-228.2	-7.2
Savings (CZK bn)	355.0	359.7	362.7	366.3	334.7	313.4	-21.3	-6.4
Average saved amount (CZK thousands)	112.1	111.5	111.8	112.1	106.2	107.2	1.0	1.0
Share of household savings in the building savings banks on total household savings (%)	12.9	12.4	11.2	10.7	9.2	8.0	-1.2	-13.3
State contributions paid (CZK bn)	3.9	4.0	4.1	4.2	4.3	4.2	-0.1	-3.1

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

The total number of contracts in the savings phase decreased by 7.2% and fell below the threshold of 3 million contracts (Graph 5.10), where it was last found in 1999. The share of terminations in the total number of contracts was thus higher than the share of new contracts, which fell by 2.5 pp to the lowest level in the reporting period, i.e. 12.9%.

Graph 5.10: Number of building savings contracts (BSC)



Source: Building savings banks, MoF, MoF calculations

The total savings allocated in the sector fell for the second year (by 6.4%) to CZK 313.4 billion, which was the lowest amount since 2004. The share of households' deposits with building savings banks in their total deposits with credit institutions, which has been decreasing continuously in the reporting period , thus fell again year on year, by 1.2 pp to 8.0%. After a decline in the previous year the average saved amount increased slightly by

28 From 1 January 2024, the state contribution is 5% of the annual amount saved with a maximum of CZK 1,000.

29 A building savings contract is concluded for a specific target amount, which is the sum of deposits and state contribution (including interest) and the building savings loan. By increasing the target amount, the contract is adapted, in particular, to the financing needs when applying for a building society loan.

30 Private individuals.

CZK 1.0 thousand to CZK 107.2 thousand. The paid out state contribution of CZK 4.2 billion in 2023 was 3.1% less than in 2022 (Table 5.11).

In terms of lending activity, the production of building savings banks was affected by the environment of elevated interest rates and generally lower demand for housing loans (see also Chapter 5.6). Building savings banks granted new loans of CZK 33.3 billion, which was also the lowest volume since 2004. Year on year, this was a decline of more than one third, on top of the already reduced base of the previous year (Table 5.12). The number of new loans fell less, by 14.6% to 44.0 thousand. The average amount of a new loan thus fell by 27.0% to CZK 757.2 thousand. Of the new loans, 91.7% were bridging loans, down by 6.1 pp year on year, with approximately two-thirds of these loans secured by real estate.

Owing to the low production of new loans, the growth of the total volume of loans slowed to 1.8%, down by 5.3 pp year on year. Nevertheless, the total volume of loans reached an all-time high of CZK 348.1 billion, and the average amount of outstanding loans at CZK 753.4 thousand was also record-breaking, increasing by 4.9% year on year. After continuous growth during the reporting period, the ratio of loans to client savings with the building savings banks also reached its highest level in the history of building savings schemes, rising by 8.9 pp year on year to 111.1%. Building savings banks thus continued to utilize funding from participants (their clients) to provide loans.[31]

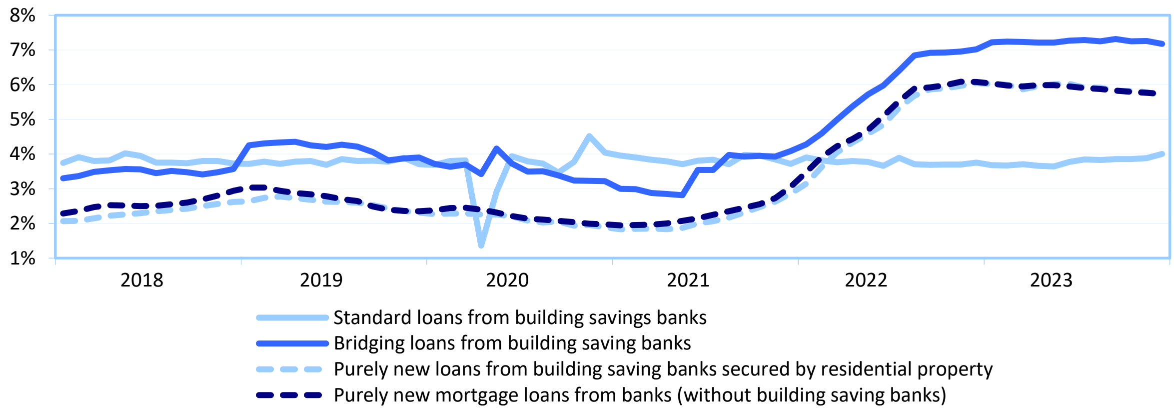
Table 5.12: Main indicators of building savings bank sector – loans

As at 31 Dec		2018	2019	2020	2021	2022	2023	Year-on-year change	
								Abs.	(%)
New loans	volume (CZK bn)	67.4	47.8	65.4	109.8	53.4	33.3	-20.1	-37.6
	contracts (000's)	73.0	54.3	55.0	68.2	51.5	44.0	-7.5	-14.6
	average (CZK thousands)	923.8	879.5	1,188.5	1,611.0	1,037.3	757.2	-280.1	-27.0
Total loans	volume (CZK bn)	262.9	278.1	293.5	319.3	342.0	348.1	6.2	1.8
	contracts (000's)	588.2	555.4	520.3	490.7	475.9	462.1	-13.9	-2.9
	average (CZK thousands)	447.1	500.8	564.0	650.7	718.5	753.4	34.9	4.9
Loans-to-savings ratio (%)		74.1	77.3	80.9	87.2	102.2	111.1	8.9	8.7

Source: Building savings banks, MoF, MoF calculations

Interest rates on bridging loans were at their highest levels in the reporting period, exceeding 7.0% p.a. (Graph 5.11). Similarly the interest rates on loans secured by real estate[32] fluctuated at peaks close to 6.0% p.a., though the building savings banks kept them at levels in line with average interest rates from commercial banks. Each month of the year these rates varied only by basis points (Graph 5.11).

Graph 5.11: Interest rates of new loans for housing from banks and building saving banks



Source: CNB – ARAD

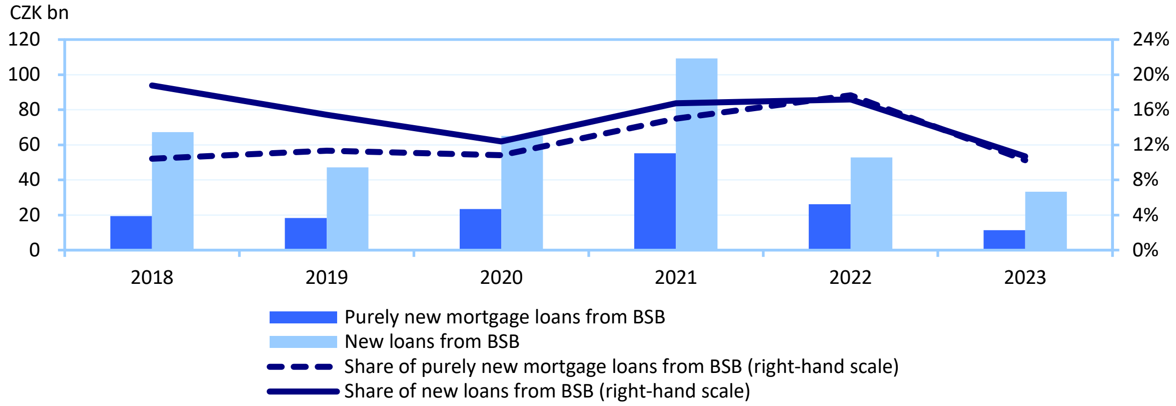
Building savings banks failed to maintain their share of the market in newly originated loans for housing purposes. It fell sharply (by 6.5 pp) to 10.7%, the lowest level in the reporting period (Graph 5.12). As regards

[31] In building savings schemes, participants' deposits are the primary source of loan funding. In 2023, comparing the average amount of a new loan and the average amount of savings, there were 6 additional savings (so-called friendly) clients per 1 loan applicant.

[32] Loans from building savings banks (standard and bridging) are special-purpose loans (for housing) and can be secured against property.

purely new loans secured by real estate, the share of building savings banks decreased from an all-time high of 17.6% in 2022 to 10.2% in 2023. This market share of around one tenth was roughly similar to the position of these specialised banks in the first 3 years of the reporting period.

Graph 5.12: Market shares of building savings banks (BSB)



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/cs/financni-trh (refer also to Table A2.2 in Appendix 2).

5.8 Credit Unions

The total assets of the credit union sector at the end of 2023 increased year on year for the second year in a row in the reporting period since 2018, while the achieved growth of CZK 0.6 billion was higher than in 2022 (Table 5.13). As in the previous four years, credit unions accounted for only 0.1% of the assets of all credit institutions.[33] Compared to the end of 2018, the sector's total assets decreased by CZK 10.2 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 a significant impact on the decline in the sector's loans and deposits volumes compared to the end of 2018 (Graph 5.13). Nevertheless, in 2023, as in 2022, the volume of both loans (by CZK 0.8 billion to CZK 7.9 billion) and deposits (by CZK 0.4 billion to CZK 7.8 billion) increased year on year. In light of these developments, the volume of loans slightly exceeded the volume of deposits for the first time in the reporting period, leading to a year-on-year decline in the deposit-to-loan ratio by 5.7 pp to 99.5%.

Table 5.13: Selected indicators of the credit union sector

As at 31 Dec	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Total assets (CZK bn)	20.2	10.2	10.0	9.1	9.4	10.1	0.6	6.4
Loans and receivables (CZK bn)	14.7	7.3	6.4	5.8	7.1	7.9	0.8	11.0
Deposits (CZK bn)	15.9	8.1	8.1	7.2	7.5	7.8	0.4	5.0
Deposit-to-loan ratio (%)	108.4	111.5	126.5	123.9	105.2	99.5	-5.7	-5.4
Non-performing loans ratio (%)[34]	28.1	24.1	28.9	26.1	25.6	27.1	1.5	6.0
Share of quickly liquid assets to total assets (%)	30.1	51.4	49.1	46.0	44.4	48.0	3.6	8.2
Total capital ratio (%)	21.1	29.2	26.7	24.5	24.8	28.5	3.6	14.7
Profit or (-) loss before tax (CZK mn)	-52.9	-30.3	-109.6	45.8	99.7	98.7	-1.0	-1.0
Return on Tier 1 capital (%)	-1.0	-1.7	-6.5	2.4	4.9	4.9	0.0	-0.2
Number of members of credit unions (000's)	22.6	12.2	12.0	11.4	11.8	12.2	0.4	3.4

Source: CNB – ARAD, MoF calculations

[33] The total assets reported for the credit institution sector (i.e. banks including building savings banks and credit unions) at the end of 2023 were CZK 9.9 trillion.

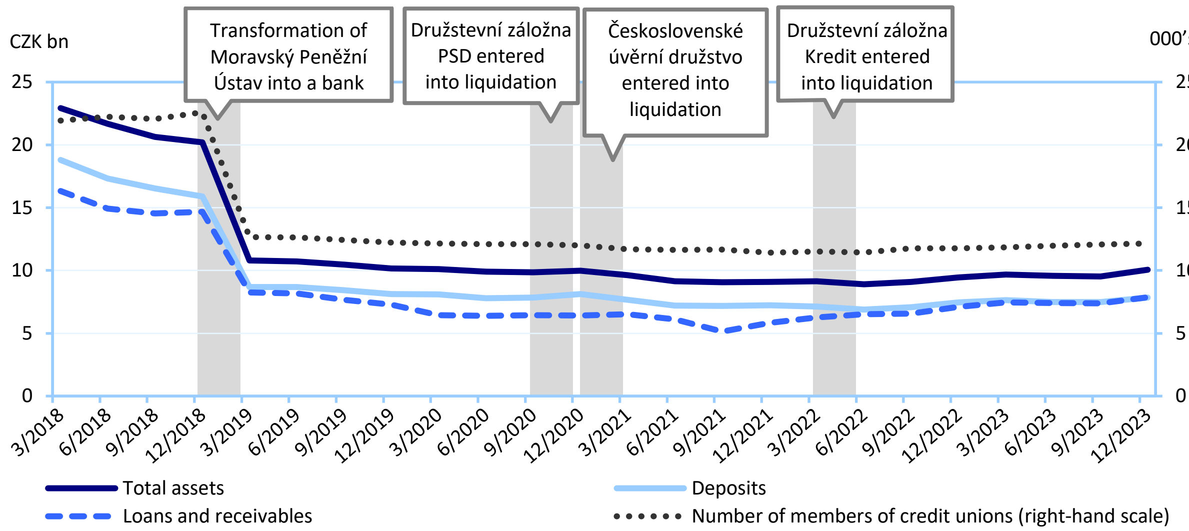
[34] The ratio of non-performing loans and receivables is relative to the total exposure of loans and receivables other than those held for trading, measured by gross book value, excluding exposures to the central bank. Loans and receivables, expressed in the table in CZK billions, are presented at their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

In terms of selected ratios that may indicate the financial situation and resilience of the credit union sector, after declining in 2021 and 2022, the non-performing loans ratio increased by 1.5 pp year on year to 27.1%, driven by an increase in the ratio of non-performing loans to households. The non-performing loans ratio in the credit union sector thus continued to significantly exceed that of the banking sector (see Chapter 5.2). In contrast, the share of quickly liquid assets to total assets developed positively in terms of potential liquidity risk mitigation, increasing by 3.6 pp to 48.0%. The same absolute increase was recorded in 2023 for the total capital ratio, which thus reached 28.5%, its second highest level in the reporting period. Due to an increase in regulatory capital volume, a reduction in the sector's total risk exposure, and slightly lower total capital requirements, credit unions' capital surplus increased relative to 2022, but was still the second lowest in the reporting period.

The credit union sector recorded a profit before tax for the third year in a row in 2023. Although the profit of CZK 98.7 million was slightly lower than in 2022, the return on Tier 1 capital remained almost unchanged. The slight decline in profit was mainly due to higher year-on-year impairment losses on financial assets.

In connection with the transformation of credit unions into banks and the voluntary entry of some credit unions into liquidation, the membership base declined year on year from 2017 up to 2022, when the number of credit union members increased year on year for the first time since then. In 2023, the reversal of the previous downward trend was confirmed when the number of members increased to 12.2 thousand, i.e. to the level it reached at the end of 2019 after the transformation of Moravský Peněžní Ústav into a bank.

Graph 5.13: Total assets, deposits, loans and receivables and number of members of credit unions



Source: CNB – ARAD

5.9 Non-Bank Financing Providers

Alternative options for debt financing are offered by non-bank financing providers.[35] In 2023 the strong annual growth of around 10% in the total assets of these entities (Table 5.14) represented the largest increase in 16 years. At the end of 2023 the total assets reached CZK 485.4 billion, the highest value since 2005.[36] Nevertheless it remained below 5% of the banking sector's total assets[37] for the third year in a row.

The sector is divided into three sub-segments, whose shares of the sector's total assets have been relatively stable over the long term, with the largest share being held by financial leasing companies. This segment recorded a year-on-year increase in assets by 11.5% to CZK 378.9 billion and thus increased its share in the sector's assets by 1.0 pp to 78.1%. The other sub-segments also showed year-on-year growth in assets, with other lending companies rising by 5.3% to CZK 72.0 billion, and factoring and forfaiting companies by 4.8% to CZK 34.5 billion. In the case of financial leasing companies and other lending companies this was the highest absolute and relative year-on-year growth in the reporting period since 2018. In the case of factoring and

35 Non-bank financing providers are however often linked by ownership and by their sources of financing with the banking sector within financial groups. They offer products similar to banks (instalment sales, non-purpose credit, revolving products), but also have specific products or distribution models (leasing, peer to peer loans, reverse mortgages, and various forms of online short-term borrowings).

36 Start of available data.

37 The banking sector's assets at the end of 2023 stood at CZK 9.9 trillion.

forfaiting companies the growth rate fell by 1.3 pp, but the volume of assets rose again, confirming the reversal of the developments to the upward trend that started in 2021.

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

As at 31 Dec		2018	2019	2020	2021	2022	2023	Year-on-year change	
								Abs.	(%)
Assets (CZK bn)	Financial leasing companies	335.1	345.3	327.9	323.4	339.7	378.9	39.1	11.5
	Other lending companies	66.2	66.7	66.7	66.4	68.4	72.0	3.6	5.3
	Factoring and forfaiting companies	27.2	25.9	24.7	31.0	32.9	34.5	1.6	4.8
Share of sector's assets (%)	Financial leasing companies	78.2	78.8	78.2	76.9	77.0	78.1	1.0	1.3
	Other lending companies	15.5	15.2	15.9	15.8	15.5	14.8	-0.7	-4.3
	Factoring and forfaiting companies	6.4	5.9	5.9	7.4	7.5	7.1	-0.4	-4.8
Total assets (CZK bn)		428.6	437.9	419.3	420.8	440.9	485.4	44.5	10.1

Source: CNB – ARAD, MoF calculations

The total volume of loans granted by the non-bank sector (Table 5.15) also reached a record high of CZK 385.5 billion, the highest value since 2005, after a year-on-year increase of more than 10%. Of this volume loans to non-financial corporations accounted for CZK 307.6 billion and loans to households CZK 68.6 billion. In terms of the sub-segments of the non-bank financing provider sector, loans from financial leasing companies recorded the highest 12% year-on-year growth, while the volume of loans from other lending companies rose by 5.6% and from factoring and forfaiting companies by 5.2%.

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

As at 31 Dec		2018	2019	2020	2021	2022	2023	Year-on-year change	
								Abs.	(%)
Loans (CZK bn)	Financial leasing companies	243.6	254.5	249.7	246.4	266.2	298.0	31.9	12.0
	Other lending companies	51.6	51.1	49.9	49.9	52.2	55.1	2.9	5.6
	Factoring and forfaiting companies	25.1	24.0	22.8	29.0	30.8	32.4	1.6	5.2
Share of the sector's loans (%)	Financial leasing companies	76.1	77.2	77.4	75.7	76.2	77.3	1.1	1.4
	Other lending companies	16.1	15.5	15.5	15.3	14.9	14.3	-0.7	-4.4
	Factoring and forfaiting companies	7.8	7.3	7.1	8.9	8.8	8.4	-0.4	-4.7
Total loans granted (CZK bn)		320.3	329.6	322.4	325.3	349.1	385.5	23.4	10.4

Source: CNB – ARAD, MoF calculations

5.10 Household Indebtedness

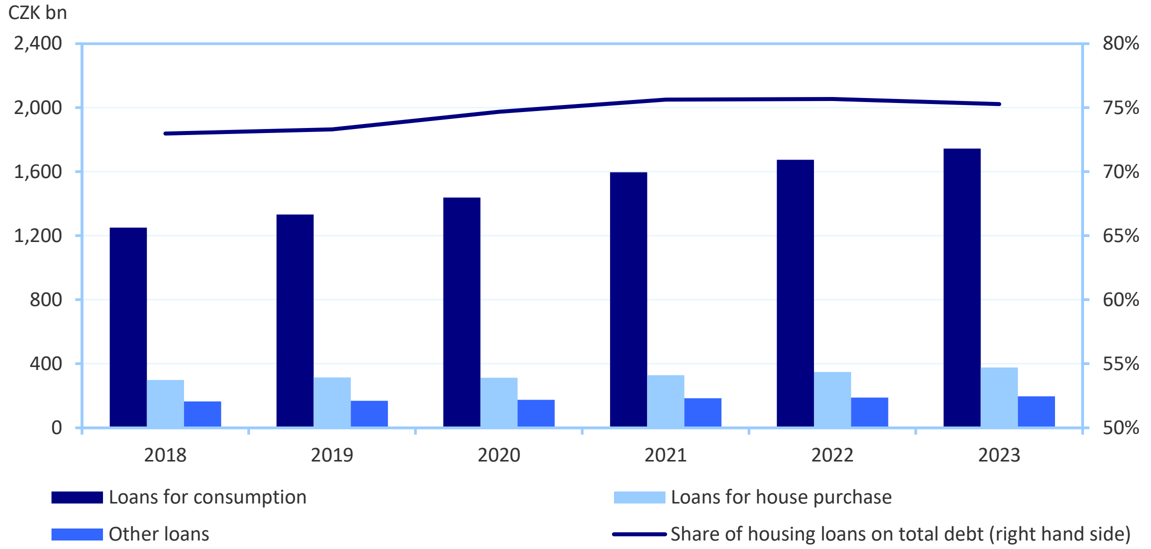
Households have long been a key client sector for banks and it is therefore appropriate to take a broader view beyond their engagement with the banking sector. Although the share of households in total bank client loans fell year on year (by 1.1 pp), it was still more than a half of the total indebtedness (51.5%). Total household indebtedness to banks and non-bank financial institutions rose by CZK 104.2 billion to CZK 2.3 trillion (Graph 5.14), i.e. the highest level ever. The year-on-year growth rate of total household indebtedness (4.7%) was almost unchanged compared to 2022, but was nevertheless the lowest over the reporting period.

In terms of the structure of total indebtedness by its purpose, loans for house purchase[38] (CZK 1.7 trillion) have long dominated, followed by loans for consumption (CZK 376.4 billion) and other loans (CZK 196.2 billion), which mainly include loans granted to self-employed persons for business purposes. The year-on-year growth rate of loans for house purchase fell again to 4.2%, i.e. to a significantly lower level than the average growth rate for the reporting period (7.2%). The growth rate of loans for consumption was by 1.6 pp higher. Similarly, the growth

[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 the data is inclusion of loans granted by non-bank financing providers to households (i.e. private individuals, sole traders, associations of apartment owners and non-profit institutions serving households).

rate of the volume of other loans (4.2%) increased by 2.3 pp. Share of loans for house purchase in total household indebtedness slightly declined for the first time over the reporting period year on year in 2023, by 0.4 pp to 75.3%.

Graph 5.14: Total household indebtedness



Source: CNB – ARAD, MoF calculations

6 CAPITAL MARKET

6.1 Developments in Global Capital Markets

In 2023, developments in global capital markets were influenced by rising expectations of a future easening of the current predominantely anti-inflationary monetary policy of the major global central banks (see Chapter 1), and the related growing investor appetite for equity investments.

Compared to 2022, global equity markets have thus seen a turnaround, with almost all equity indices monitored (Table 6.1) recording a year-on-year growth in 2023. The MSCI ACWI Global Index rose by 21.8%, benefiting from a nearly one-quarter increase in the main US equity index, the S&P 500, supported by positive share price performance of the technology companies included in it. In the euro area, the Euro Stoxx 50 index also grew year on year, albeit by less (19.2%). The developments of the Asian indices diverged. In China, the SSE Index declined by 3.7%, reflecting, among other things, the structural challenges of the local economy, including the real estate sector. In Japan, by contrast, the Nikkei 225 index rose by 28.2%, but the overall return from the perspective of foreign investors was reduced by the weakening of the Japanese yen. In the UK, the main FTSE 100 index recorded the lowest growth rate among the major developed markets (3.8%). In comparison with the situation at the end of 2018, when the capital market and the overall UK economy were affected by, among other things, the consequences and uncertainties associated with the Brexit, the value of this index remained essentially unchanged.

In the Central European region, the divergence of trends across countries has widened. The stock indices in Poland and Hungary showed the highest increase of more than one-third, with the Czech PX stock index achieving around half of their year-on-year growth rate (17.7%). The Austrian stock index rose by one-tenth, i.e. by half of the German DAX growth rate. Among the monitored countries in the region, the Slovak index was the only one to show a year-on-year decline for the second year in a row.

Table 6.1: Annual performance of selected equity indices

As at 31 Dec (%)	Index	2018	2019	2020	2021	2022	2023
World	MSCI ACWI	-10.4	25.2	14.1	20.1	-19.5	21.8
USA	S&P 500	-6.2	28.9	16.3	26.9	-19.4	24.2
China	SSE Index	-24.6	22.3	13.9	4.8	-15.1	-3.7
Japan	Nikkei 225	-12.1	18.2	16.0	4.9	-9.4	28.2
United Kingdom	FTSE 100	-12.5	12.1	-14.3	14.3	0.9	3.8
Euro area	**Euro Stoxx 50**	**-14.3**	**24.8**	**-5.1**	**21.0**	**-11.7**	**19.2**
Germany	DAX	-18.3	25.5	3.5	15.8	-12.3	20.3
Poland	WIG	-9.5	0.2	-1.4	21.5	-17.1	36.5
Austria	ATX	-19.7	16.1	-12.8	38.9	-19.0	9.9
Czech Republic	**PX**	**-8.5**	**13.1**	**-7.9**	**38.8**	**-15.7**	**17.7**
Hungary	BUX	-0.6	17.7	-8.6	20.5	-13.7	38.4
Slovakia	SAX	2.1	5.6	-1.7	15.1	-15.8	-6.4

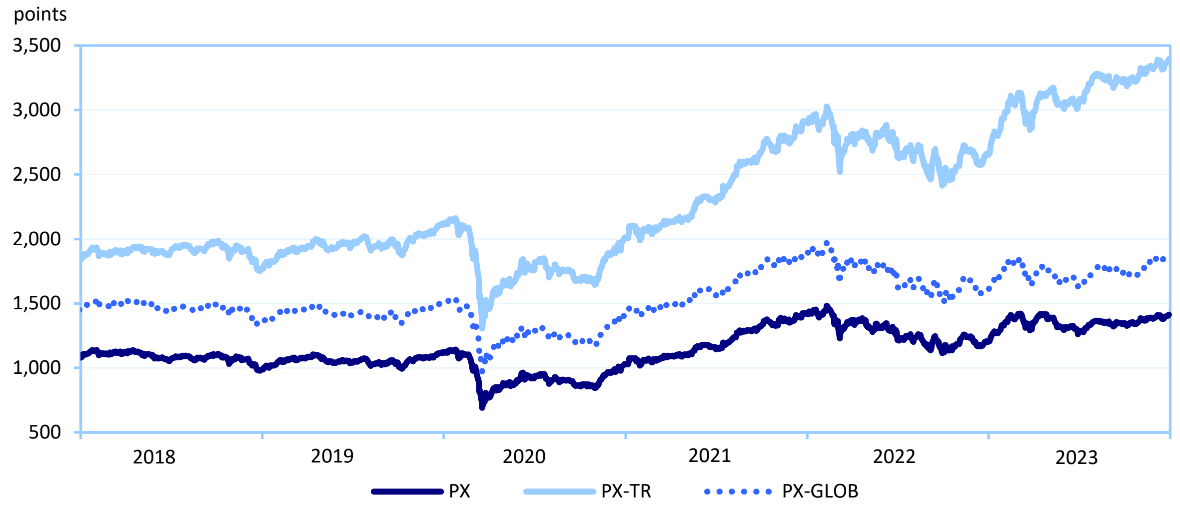
Source: Market organisers, MoF calculations

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 2023, the main stock index of the Prague Stock Exchange (PSE), PX, recorded the second highest annual growth rate since the end of 2018, up by 17.7% to 1,414.0 points, thus returning to the end-2021 levels after a decline in 2022. Similarly, the PX-GLOB index, which includes all shares traded on the PSE, increased by 17.0% to 1,875.5 points. The PX-TR index, which takes into account other (mainly dividend) returns in addition to capital appreciation, performed more favourably than the main PX index, rising 28.1% year on year to 3,395.9 points. Over the six-year reporting period (Graph 6.1), the PX index rose by 31,2%, the PX-Glob index by 29,3% and the PX-TR index by 85,5%.

Graph 6.1: Daily closing values of the PSE indices



Source: PSE

The overall capitalisation[39] of shares trated on the PSE (Table 6.2) increased by 12.4% year on year to CZK 18.6 billion, of which, however, more than 90% was accounted for by the Free Market segment, represented mainly by foreign equity titles without active participation of the issuers (so-called unsponsored listing) and with a low trading volume. To monitor the capitalisation of domestic or more frequently traded stocks, it is therefore more appropriate to track the capitalisation of all other segments, i.e. excluding the Free Market segment. It increased by 21.0% to CZK 1.3 trillion, of which more than CZK 1.2 trillion was the capitalization of the Prime segment, which is in principle comprised by the most important and liquid stocks.

Table 6.2: Market capitalization of PSE market segments

As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	Abs.
Free Market	20,215.0	20,804.1	12,370.6	14,307.2	15,545.8	17,390.5	1,844.7	11.9
Prime Market	1,012.6	1,072.9	934.5	1,301.2	983.3	1,205.6	222.3	22.6
Other	34.4	177.3	197.6	50.8	56.1	51.6	-4.6	-8.1
Total	21,262.0	22,054.2	13,502.7	15,659.2	16,585.2	18,647.7	2,062.5	12.4

Source: PSE, MoF calculations

The total trading volume on the PSE (Table 6.3) fell by 21.9% year on year due to a 25.7% decline in the trading volume of shares, which occurred despite the rise in the PX index, i.e. in the share prices. The proportion of shares in the total trading volume fell by 4.5 pp year on year to 87.4%, while the volume of trades in corporate debt securities rose by almost half year on year. Within the reporting period, total trading volume declined by 7.1% from 2018, driven by a 13.4% decline in the trading volume with shares.

Table 6.3: Total trading volume on the PSE

Annual (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Shares	142.6	108.8	125.3	140.5	166.2	123.5	-42.7	-25.7
Corporate debt securities	9.2	11.9	8.5	7.0	6.3	9.3	3.1	49.0
Other assets[40]	0.3	0.3	0.6	7.2	8.5	8.5	0.0	0.6
Total	152.0	120.9	134.4	154.7	180.9	141.3	-39.6	-21.9

Source: PSE, MoF calculations

39 Market capitalisation represents the aggregate market value of all shares traded on an exchange or within a given segment of an exchange.

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

The number of registered issues traded on the PSE increased by 35 to 333 year on year (Table 6.4), reaching the highest level in the reporting period, driven by growth across all monitored asset classes. Bonds and structured products showed the highest increases. The number of corporate bonds traded reached its highest figure in the reporting period since the end of 2018, despite the fact that the total outstanding volume of bonds continued to decline (see Chapter 6.3).

Table 6.4: Number of registered issues on the PSE

As at 31 Dec	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Shares	53	54	55	55	59	61	2	3.4
Debt securities	112	118	105	110	110	126	16	14.5
of which: public sector	24	21	24	25	28	33	5	17.9
corporate sector	55	63	51	60	61	69	8	13.1
financial sector	33	34	30	25	21	24	3	14.3
Structured products	72	84	73	91	95	107	12	12.6
Investment funds	35	33	32	36	34	39	5	14.7
Other	3	3	-	-	-	-	-	-
Total	275	292	265	292	298	333	35	11.7

Source: PSE, MoF calculations

Within RM-SYSTÉM, the Czech stock exchange (RM-S), which focuses mainly on retail investors, the trading volume has long been in the lower order of magnitude than the trading volume on the PSE (Table 6.5). The rate of year-on-year decline in the trading volume was higher than that on the PSE, with CZK 4.3 billion worth of shares and debt securities traded on this market. The very low trading volume in debt securities halved year on year, but was still substantially higher than in the previous years of the reporting period.

Table 6.5: Trading volume on the RM-S

Annual (CZK mn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Shares	2,589.8	2,183.7	4,557.3	4,823.5	6,417.6	4,237.5	-2,180.0	-34.0
Debt securities	3.0	6.0	0.3	0.5	75.2	34.2	-41.0	-54.5
Total	2,592.8	2,189.7	4,557.6	4,824.1	6,492.7	4,271.7	-2,221.0	-34.2

Source: RM-S, MoF calculations

The volume of over-the-counter (OTC) trades settled within the Central Securities Depository Prague (CSDP) has long been by an order of magnitude higher than the trading volume on the PSE (Table 6.6).[41] The year-on-year trend has shown growth throughout the reporting period, reaching 14.0% in 2023. This resulted in the highest OTC trading volume over the reporting period, reaching CZK 11.8 billion. In terms of the structure of OTC trading volume by asset clases, 95.0% of the trades were debt securities, with 94.5% being government bonds and 0.5% corporate bonds. Shares constituted 5.0% of the total trading volume, thus decreasing from 10.1% to half during the reporting period since the end of 2018. Debt securities were thus the main driver of the growth in OTC trading volume over the reporting period.

Table 6.6: OTC trading volume within the CSDP

Annual (CZK bn)	2017	2018	2019	2020	2021	2023	Year-on-year change	
							Abs.	(%)
Shares	324.8	246.1	252.7	593.7	683.2	589.2	-94.0	-13.8
Debt securities	2,876.2	4,116.0	4,643.1	8,527.7	9,691.6	11,254.8	1,563.2	16.1
Other	1.7	3.2	1.9	3.7	14.5	2.3	-12.2	-84.2
Total	3,202.7	4,365.3	4,897.7	9,125.1	10,389.4	11,846.3	1,456.9	14.0

Source: CSDP, MoF calculations

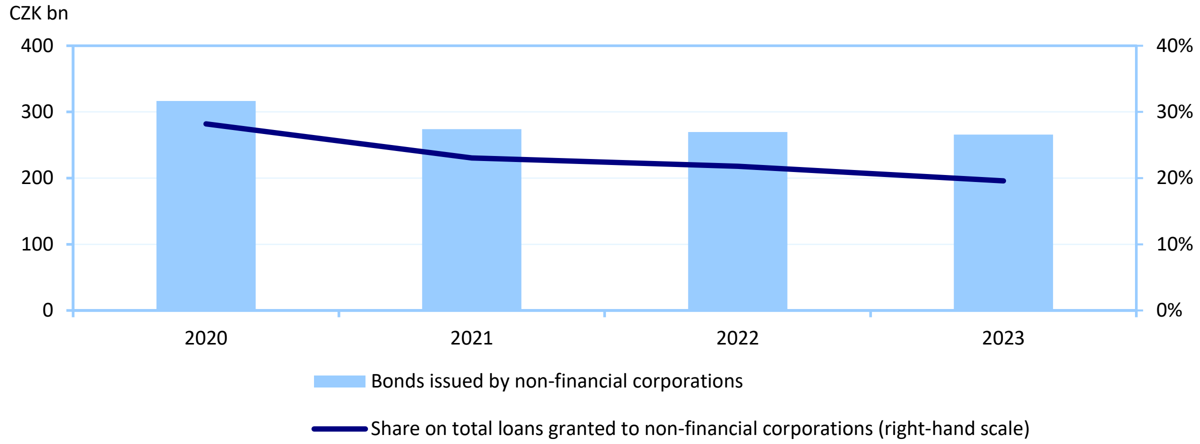
[41] OTC transactions are tracked under the broader CSDP reporting framework due to the discontinuation of reporting under the PSE.

6.3 Bond Financing of Non-Financial Corporations

Bonds are an additional source of financing for non-financial corporations, i.e. manufacturing and trading companies, and represent an important segment of the capital market. The total oustanding volume of bonds issued by non-financial corporations fell slightly year on year for the third year in a row, by 1.3% to CZK 265.9 billion, the lowest level since 2020 (Graph 6.2)[42]. The decline over the reporting period can be attributed mainly to the continued impact of higher interest rates and their possible effects on the supply of new issuance by potential issuers and, at the same time, on investors' demand for bonds as an alternative option for their fund allocation in the period of the generaly elevated rates of return also in the case of other asset classes.

To compare the volume of financing provided, the total outstanding volume of loans granted by banks to non-financial corporations at the end of 2023 was CZK 1.4 trillion. Thus, bonds in total provided to the sector of non-financial corporations funding equivalent to almost one fifth of the total volume of loans granted to it by the domestic banking sector. The decline in the value of this ratio since the end of 2020 (by 8.6 pp) was due to both a 20.9% increase in the volume of bank loans and a 16.0% decline in the outstanding volume of bonds.

Graph 6.2: Non-financial corporations bonds – outstanding volume



Source: CNB – ARAD, MoF calculations

6.4 Non-Bank Investment Firms and Asset Management

The volume of total assets of non-bank investment firms remained essentially unchanged year on year, rising slightly by 0.6% to CZK 27.3 billion[43] (Table 6.7). Profit before tax increased by CZK 0.4 billion to CZK 1.8 billion, the highest level in the reporting period since 2018.

Table 6.7: Non-bank investment firms

As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Total Assets	23.7	26.3	29.6	25.0	27.2	27.3	0.2	0.6
Total profit or (-) loss before tax	0.8	0.8	1.2	1.4	1.4	1.8	0.4	25.5

Source: CNB – ARAD, MoF calculations

The volume of assets entrusted to the members of the Capital Market Association of the Czech Republic (AKAT) increased by 22.8% year on year to a total of CZK 2.3 trillion (Table 6.8), while over the reporting period since 2018 the average yearly growth rate was approximately half of that (9.3%). Industry concentration in terms of asset allocation among the most important managers continued to decline slightly. The three largest asset

[42] Year 2020 is the beginning of the relevant time series in the ECB database.

[43] The CNB has modified the scope of information disclosure on the sector, which was first reflected in the 2019 Financial Market Development Report. Currently, asset volumes are disclosed only for non-bank investment firms.

managers, who are also members of AKAT, managed 53.2% of total assets. The five most significant entities then accounted for 70.6% of total assets under management.

Table 6.8: Volume of assets under management by AKAT members

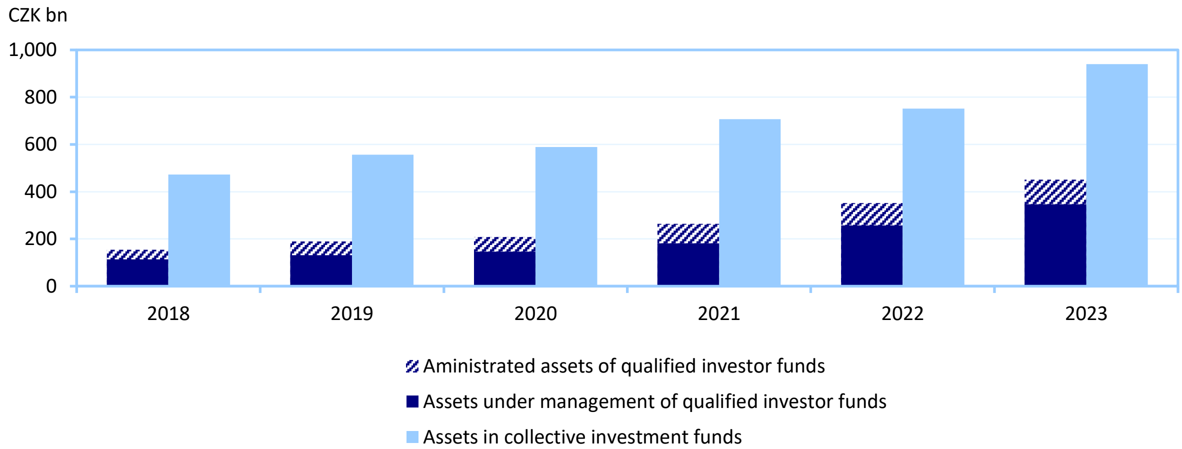
As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%).
Total	1,368.1	1,565.0	1,655.8	1,831.7	1,910.4	2,346.1	435.8	22.8

Source: AKAT, MoF calculations

6.5 Investment Funds

Investment funds recorded strong year-on-year growth in total assets (of 26.0%), which represented the highest relative change in the reporting period since 2018, to an all-time high of CZK 1.390.2 (Graph 6.3). Of this the assets in collective investment funds grew at a similar pace (by 25.0%) to CZK 939.3 billion, and the assets in qualified investor funds[44] increased by 28.3% to CZK 450.8 billion. Both the market appreciation and inflows contributed to this development, probably also in the context of central bank monetary policy in recent years. The latter was reflected in higher government bond yields and in the expectations of possible positive developments in financial asset prices in the event of future interest rate cuts on the financial market, assuming a continuation of the current disinflationary tendencies.

Graph 6.3: Structure of investment funds



Source: AKAT, CNB – ARAD

Significant growth in the volume of collective investment funds was more pronounced in the case of domestic funds, whose annual growth of CZK 153.3 billion was more than four times higher than the growth of CZK 34.5 billion in foreign funds. Assets in domestic funds increased by 30.7% to CZK 652.2 billion, whereas foreign funds recorded slower growth (of 13.7%) to CZK 287.1 billion. However, it was also a significant year-on-year increase in foreign funds volume dynamics, given a previous year-on-year decrease of 5.7% in 2022. The share of domestic funds rose by 3.0 pp year on year to 69.4%. The faster growth in the volume of domestic funds was also evident throughout the entire reporting period, in which they showed approximately double the average annual growth rate (8.6%) compared to foreign funds (by 4.3%). Thus, since the end of 2018, the volume of funds increased by almost 130% in domestic funds, while by 51.9% in foreign funds.

In terms of the structure of the collective investment funds allocations (Table 6.9), differences between domestic and foreign funds persisted in 2023. For the domestic funds, the share of bond funds increased for the second consecutive year, by 8.2 pp year on year to 45.6%, with a 24.5 pp increase over the reporting period. By contrast, the share of dominant mixed funds fell by 5.0 pp year on year to 29.0%, the lowest level in the reporting period. The share of domestic equity funds also declined year on year by 1.4 pp to 14.9%. Domestic real estate funds saw their share fall for the first time during the reporting period, by 2.1% to 10.0%, although the volume of their funds rose again year on year. For the foreign funds, equity funds maintained their dominant share (41.7%),

[44] Collective investment funds collect money from the public for the purpose of collective investment and further management of invested assets. Qualified investor funds collect money and valuables from professional clients and other qualified investors (with a minimum investment of CZK 1 million) for the purpose of co-investment and further management of these assets.

growing by 0.1 pp year on year and by 13.2 pp since the end of 2018. However, the share of foreign fund categories with a generally lower share of more dynamic asset classes decreased over the reporting period, and compared to the end of 2018 was in 2023 lower by 8.2 pp for structured funds and by 9.2 pp for mixed funds. The share of both of these fund types also decreased year-on-year, by 1.5% and 3.1% respectively. The share of foreign bond funds rose slightly year on year by 0.8 pp to 21.1%, i.e. essentially returned to the end-2018 level. Higher yields on short-term debt assets led investors to increase their interest in foreign money market funds, whose share increased by 3.6 pp year on year to 5.5%.

Table 6.9: Assets in individual types of collective investment funds by domicile

As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Domestic	**284.0**	**351.3**	**375.0**	**439.7**	**499.0**	**652.2**	**153.3**	**30.7**
Bond	60.1	106.6	102.0	97.6	187.0	297.7	110.7	59.2
Equity	46.2	51.2	66.5	87.0	81.4	97.1	15.8	19.4
Structured	0.0	0.7	0.7	0.7	0.7	3.3	2.6	388.0
Mixed	116.3	124.6	163.3	202.3	169.7	189.0	19.3	11.3
Funds of funds	24.8	30.0	0.0	0.0	0.0	0.0	0.0	-
Money market	6.8	0.0	0.0	0.0	0	0.0	0.0	-
Real estate	29.8	38.1	42.6	52.2	60.1	65.1	5.0	8.2
Foreign	**189.0**	**205.6**	**214.6**	**267.9**	**252.6**	**287.1**	**34.5**	**13.7**
Bond	39.6	45.7	49.1	51.8	51.3	60.5	9.2	18.0
Equity	53.7	64.3	73.6	107.4	105.1	119.6	14.5	13.8
Structured	24.0	23.8	20.5	19.2	15.2	13.0	-2.1	-14.1
Mixed	66.9	66.5	67.2	85.3	74.2	75.3	1.1	1.5
Funds of funds	0.3	0.3	0.0	0.0	0.0	0.0	0.0	-
Money market	4.1	4.5	3.5	2.8	4.8	15.8	11.0	228.2
Real estate	0.4	0.4	0.9	1.4	2.1	3.0	0.8	39.2
Total	**473.0**	**556.9**	**589.7**	**707.6**	**751.6**	**939.3**	**187.8**	**25.0**

Source: AKAT, MoF calculations

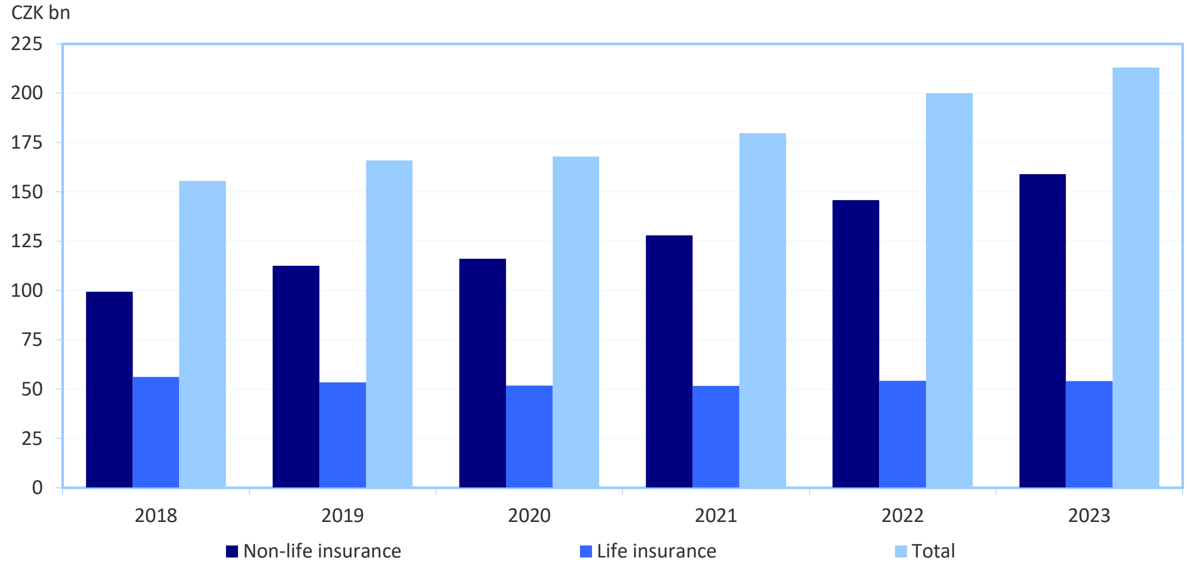
Qualified investor funds recorded a year-on-year increase in the volume of assets of 28.3%, with a significant contribution from the volume of assets under management, which grew by 34.8% to CZK 346.0 billion (Graph 6.3). The volume of administrated assets grew at a lower annual rate (by 10.6%) to CZK 104.8 billion. Over the reporting period since the end of 2018, the total volume of assets in qualified investor funds almost tripled, rising from CZK 154.8 billion to CZK 450.8 billion. The stronger dynamics of qualified investor funds compared to collective investment funds also resulted in the continued growth of their share in the total volume of assets in the investment funds sector. This share increased again year on year (by 0.6 pp), despite the high growth rate of collective investment funds volume of assets, reaching 32.4%. Since the end of 2018 the share of qualified investor funds in total volume of assets in the investment fund sector increased by 7.8 pp.

7 INSURANCE

7.1 Insurance Companies

In terms of gross premiums written, in 2023 the insurance sector continued the upward trend that has started in 2017. The overall year-on-year growth of 6.5% in premiums to CZK 213.1 billion (Graph 7.1) was, as in the previous years of the reporting period since 2018, driven by the growth of non-life insurance, which increased by 9.1% to CZK 159.0 billion. This overall growth was however not tracked by the life insurance segment, which saw a slight decline in the premiums of 0.3% to CZK 54.1 billion. As in the previous three years, the increase in gross premiums written in the non-life insurance segment was mainly driven by the growth in motor third-party liability insurance (up 12.7%), fire and other property damage insurance (up 9.8%) and other motor vehicle insurance (up 5.6%) in 2023. The total insurance penetration ratio remained unchanged year on year, as in the whole reporting period, and remained at 2.9% of GDP.

Graph 7.1: Volume of gross premiums written



Source: CNB – ARAD

Due to the opposite developments in the life and non-life insurance segments, the difference between the gross premiums written of the two segments of the insurance market widened further year on year. At the end of 2023, the ratio was 75 : 25% in favour of non-life insurance segment. This development of the insurance market confirms the long-term strong position of the non-life insurance segment on the domestic market. Other Visegrad Four countries showed similar trends, while the life insurance segment remained dominant in Western European countries[45].

In terms of the number of insurance contracts, the non-life insurance segment recorded growth of 6.0% in the total number of contracts (Table 7.1). The number of newly concluded contracts continued the upward trend observed in 2021 and 2022, increasing by 15.7%. In contrast, in the life insurance segment, the number of total contracts fell by 2.3% year on year, although the number of newly concluded contracts increased slightly by 2.9%.

The last main indicator, the gross claims paid, after 2 years of growth fell by CZK 8.7 billion year on year in the total of both insurance segments to CZK 108.4 billion. This development was caused by the life insurance segment, whose sharp decrease in gross claims paid (by 28.0%) exceeded in absolute terms the year-on-year increase in gross claims paid (by 6.4%) in the non-life insurance segment.

[45] According to EIOPA statistics for 2023, the shares of non-life and life insurance segment in other European countries were as follows: France 40 : 60%; Germany 39 : 61%; Hungary 60 : 40%; Slovakia 60 : 40%; Poland 70 : 30%.

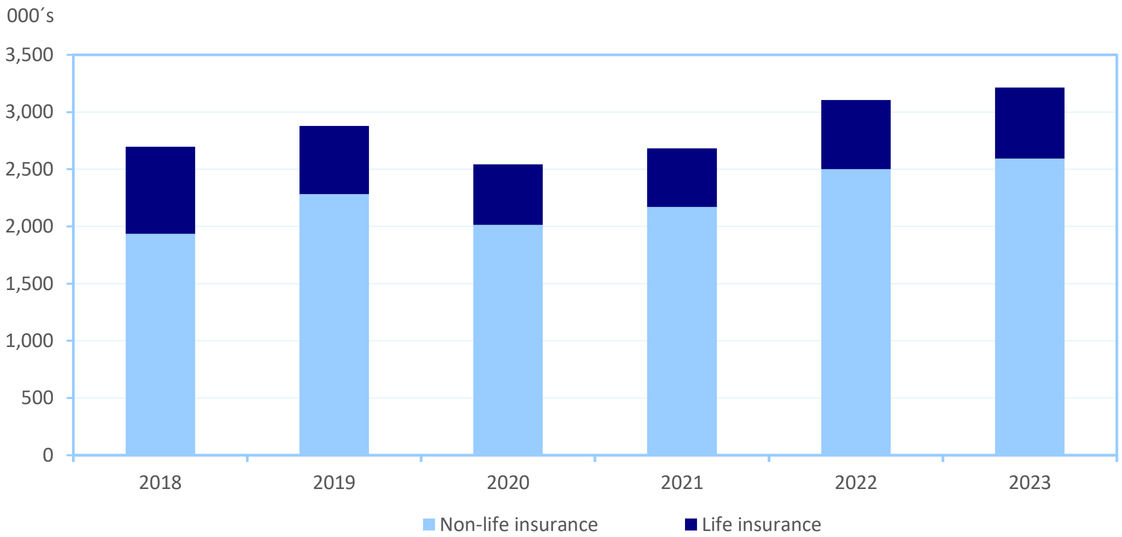
Table 7.1: Main indicators of the insurance market

As at 31 Dec	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Total insurance contracts (000´s)	28,789	28,514	28,363	30,391	29,814	31,162	1,348	4.5
of which: non-life insurance	23,031	23,144	23,098	24,838	24,562	26,031	1,470	6.0
live insurance	5,758	5,370	5,264	5,553	5,252	5,131	-121	-2.3
Newly concluded contracts (000´s)	13,138	12,651	9,584	10,181	12,515	14,409	1,893	15.1
of which: non-life insurance	12,516	12,108	9,120	9,682	11,952	13,829	1,877	15.7
live insurance	621	543	464	499	564	580	16	2.9
Total gross premiums written (CZK bn)	155.6	165.9	168.0	179.7	200.1	213.1	13.0	6.5
of which: non-life insurance	99.4	112.5	116.1	128.0	145.8	159.0	13.2	9.1
live insurance	56.2	53.4	51.8	51.7	54.3	54.1	-0.2	-0.3
Gross claim paid (CZK bn)	92.6	101.2	92.0	102.0	117.1	108.4	-8.7	-7.4
of which: non-life insurance	49.4	58.0	54.5	62.5	69.9	74.4	4.5	6.4
live insurance	43.2	43.2	37.5	39.6	47.2	34.0	-13.2	-28.0
Total insurance penetration (% GDP)	2.9	2.9	2.9	2.9	2.9	2.9	0.0	-

Source: CNB – ARAD, MoF calculations

In terms of insured events claims, insurers recorded an overall increase in the number of claims in 2023, as in the previous 2 years (by 3.4% to 3.2 million), but with a lower intensity than in 2022. The number of insured events claims in the non-life insurance segment recorded a similar increase (by 3.6%). In the life insurance segment, after a gradual decline of claims between 2019 and 2021 and their significant increase from 2022, a more moderate increase in their number (by 2.7%) followed in 2023.

Graph 7.2: Number of insured events claims



Source: CNB – ARAD

Following a short-term decline in 2022, the total assets of the insurance sector increased by 4.3% year on year to CZK 514.1 billion in 2023 (Table 7.2). The most significant asset item, i.e. the volume of investments for which the policyholder does not bear the investment risk, grew by 3.9%, which was lower than the growth of total assets (by 4.3%), but its share in the total assets fell only slightly by 0.3 pp to 60.5%. The increase in the total value of assets was therefore mainly driven by an increase in the value of investments where the policyholder bears the investment risk, which grew by 13.3% year on year.

On the liability side of the balance sheet, the amount of technical provisions where the policyholder is not the bearer of the investment risk decreased only slightly by 0.3% to CZK 251 billion. The technical provisions where the investment risk is borne by the policyholder fell at a slightly higher rate (by 2.3%) to CZK 94.8 billion.

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

As at 31 Dec (CZK bn)	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Total assets	**520.1**	**487.1**	**493.0**	**524.5**	**492.9**	**514.1**	**21.3**	**4.3**
Investments	364.9	326.1	324.7	329.0	299.5	311.3	11.8	3.9
of which bonds	253.8	238.9	240.8	245.8	209.6	216.5	7.0	3.3
Investments for live insurance where policyholders bear the investment risk	88.2	98.3	100.1	110.7	97.1	110.0	12.9	13.3
Technical provisions[46]	**257.1**	**250.0**	**249.7**	**258.3**	**251.6**	**251.0**	**-0.6**	**-0.3**
Technical provisions for life insurance where policyholders bear the investment risk	88.2	98.3	100.1	110.7	97.0	94.8	**-2.2**	**-2.3**
Profit or (-) loss before tax	**17.4**	**20.1**	**17.8**	**31.3**	**19.4**	**23.4**	**4.0**	**20.9**
Result of technical account for non-life insurance	6.5	4.1	8.4	16.1	7.9	11.1	3.2	40.4
Result of technical account for life insurance	9.4	10.1	8.3	14.7	9.5	16.3	6.9	72.8

Source: CNB - ARAD, MoF calculations

The insurance sector recorded an increase in economic result of 20.9% to CZK 23.4 billion in 2023. The technical account result for non-life insurance increased significantly by 40.4% to CZK 11.1 billion, mainly due to the growth in gross premiums written and above-average growth in investment income. The technical account result for life insurance[47] grew at an even higher rate of 72.8% to CZK 16.3 billion, mainly due to the increase in the value of investments, the decrease in the gross claims paid and the decrease in the change in the reinsurance-adjusted claims reserve.

The profitability of the insurance sector is largely determined by the ability of individual insurers to detect insurance fraud. Data from the Czech Insurance Association show that insurers investigated a total of 15 574 suspicious insurance claims in 2023, representing a year-on-year increase of 12.7% (Table 7.3). Of the total number of claims investigated, insurance fraud was detected in the volume of almost CZK 1.7 billion, resulting in a 17.0% increase in the volume of proven fraud. After 2 years of decline, the average amount of detected insurance fraud increased by CZK 35.9 thousand year on year CZK 266.6 thousand.

Table 7.3: Development of investigated and detected insurance fraud

As at 31 Dec	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Volume of detected fraud (CZK mn)	1,298.8	1,133.2	1,231.4	1,248.9	1,422.7	1,664.4	241.7	17.0
Average amount (CZK)	232,225	230,653	288,306	249,180	230,763	266,644	35,881	15.5
Suspicious incidents (pcs)	10,325	8,474	9,632	11,407	13,820	15,574	1,754	12.7

Source: Czech Insurance Association, MoF calculations

7.2 Insurance Intermediation

The total number of persons authorised to act as insurance intermediaries[48] increased by 2.2 thousand year on year. At the end of 2023, the total number of insurance intermediaries amounted to almost 34.7 thousand. The increase concerned the categories of tied agents and supplementary insurance intermediaries. The number of independent intermediaries remained unchanged year on year (Table 7.4). The development of the number

46 It includes a provision for life insurance, a provision for unearned premiums and a provision for outstanding claims.

47 The year-on-year change in the technical account was affected by the transition of 2 entities to the IFRS 17 accounting methodology.

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

of insurance intermediaries from 2019 onwards was significantly affected by the changes in the regulatory framework for insurance and reinsurance distribution[49] adopted in 2018. These changes resulted in a decline in number of persons authorised to intermediate insurance and reinsurance between 2018 and 2019, with more than 185 thousand authorisations recorded at the end of 2018.

Table 7.4: Number of insurance intermediaries

As at 31 Dec	2019	2020	2021	2022	2023	Year-on-year change	
						Abs.	(%)
Independent intermediaries	1,164	1,121	829	822	822	0	0.0
Tied agents	35,049	34,648	28,473	30,048	32,258	2,210	7.4
Supplementary insurance intermediaries	2,268	2,232	1,575	1,578	1,590	12	0.8
Total	38,481	38,001	30,877	32,448	34,670	2,222	6.8

Source: CNB – JERRS, MoF calculations

[49] Act No. 170/2018 on insurance and reinsurance distribution, as amended.

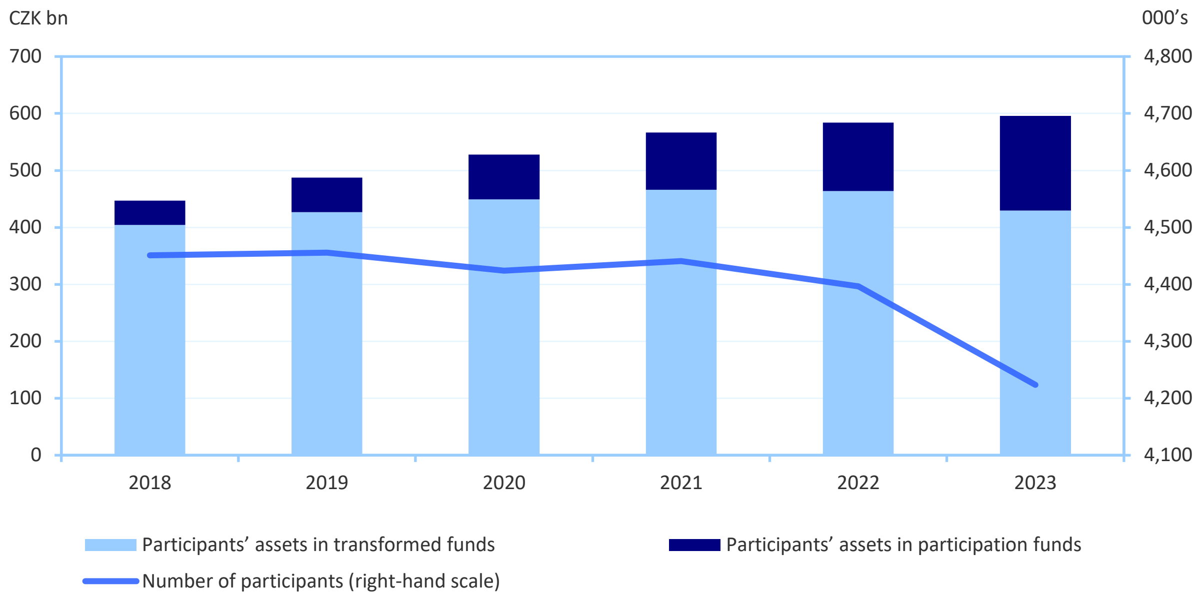
8 PRIVATE PENSION SYSTEM

8.1 Supplementary Pension Insurance and Supplementary Pension Savings

Participants' Assets and Number of Participants

The volume of funds managed in Pillar III[50], which consists of supplementary pension insurance and supplementary pension savings schemes, grew at the lowest annual rate in the reporting period since 2018, by 1.9% to CZK 595.5 billion at the end of 2023 (Graph 8.1). The slowdown in the annual growth rate has occurred for the fourth year in a row. The majority of participants' assets (72.1%) were still placed in transformed funds. However, their volume, which had been on an upward trend until 2021, declined year on year more sharply than in 2022, by 7.4% to CZK 429.4 billion. As a result of 2013 reform of the private pension system, the savings of supplementary pension insurance scheme participants were transferred automatically to the transformed funds while maintaining the original terms of supplementary pension insurance contracts (in particular the guarantee of non-negative annual appreciation) and new participants can no longer join the transformed funds. Under Pillar III, only supplementary pension savings scheme can be entered since 2013, where participants' assets increased by a significant 38.1% to CZK 166.1 billion in 2023, i.e. at almost double the growth rate compared to 2022. However, in addition to the inflow of new savings, including a record high amount of participants' assets transferred from the transformed funds (Graph 8.4), this increase was also driven by above-average appreciation of the participants' assets placed in the supplementary pension savings scheme (Graph 8.7).

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



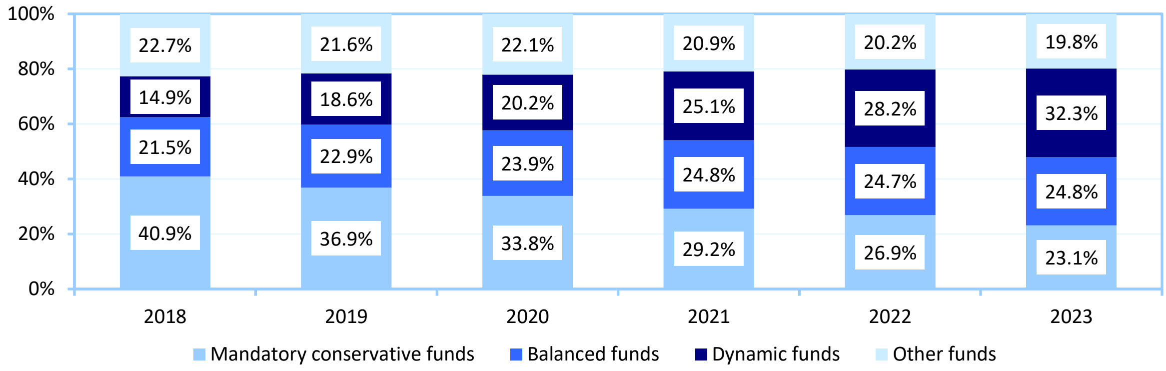
Source: APS CR, MoF

In the supplementary pension savings scheme, participants' assets are managed in different types of participation funds according to an investment strategy chosen in advance by the participants from the pension management company's offer.[51] Since the end of 2018, dynamic funds, which invest mainly in shares, have increased their share of the total participants' assets in participation funds by 17.3 pp to 32.3%, at the expense of mandatory conservative funds, whose share fell by 17.8 pp during the reporting period. This development was linked to the increasing number of participants aged 49 and under in particular, who may prefer more dynamic investment strategies with potentially higher appreciation of the investments, given the longer time left until their retirement age. The much higher returns of dynamic funds compared to other types of participation funds, particularly in 2019, 2021 and 2023, also contributed to the increase in the share of dynamic funds in the total amount of participants' assets managed in participation funds (Graph 8.7).

[50] 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.

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

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

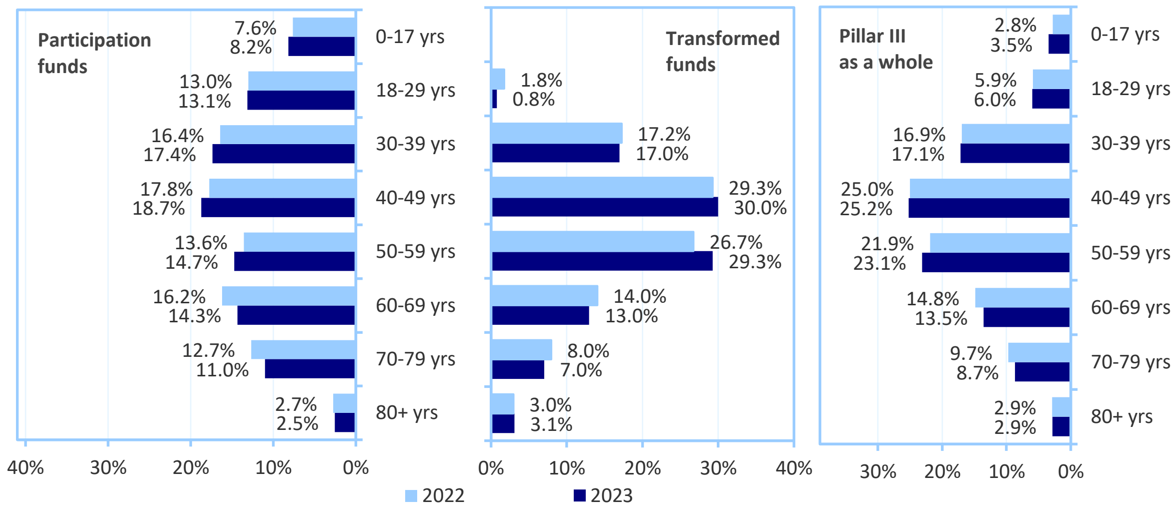


Source: APS CR, MoF calculations

The total number of participants in Pillar III declined to 4.2 million year on year (Graph 8.1), which was the largest decline in absolute (by 173 thousand) and relative (by 3.9%) terms in the reporting period. From 2021 onwards, an increase in the number of new entrants into the participation funds can be observed, with the number of new entrants in 2023, at an all-time high of almost 336.6 thousand. Of this number, 56.1 thousand participants transferred their savings from the transformed funds to the participation funds, which was the highest number in the history of the participation funds and about 82% more than in 2022. However, during 2023, at the same time, participants were also terminating their supplementary pension savings contracts in larger numbers, and the total number of participants in participation funds thus increased by only 165.6 thousand year on year to 1.79 million persons, with this 10.2% increase being 1.5 pp lower than in 2022. In 2023, the highest number of participants in the history of the transformed funds since 2013, almost 339 thousand, exited the transformed funds, reducing the number of participants in the supplementary pension insurance scheme by 12.2% to 2.44 million.

Traditionally, the age structure of participants in Pillar III as a whole was dominated by participants aged 40 to 49, whose share increased slightly to 25.2% compared to 2022 (Graph 8.3). However, in this case, the higher share of this age range is also influenced by the fact that this is a demographically strong cohort. In the case of both participation funds and transformed funds, the share of participants over the age of 60 fell year on year. The proportion of participants over the age of 60 years also declined among new entrants into participation funds, to 23.1%. In terms of the individual age categories monitored, new entrants in 2023 were, as in the previous two years, most often aged between 18 and 29, with their share of the total number of new entrants increasing by 1.1 pp year on year to 20.4%.[52]

Graph 8.3: Age structure of participants in Pillar III



Source: MoF

52 The above shares of new participants by age do not take into account new supplementary pension savings contracts resulting from the transfer of funds from transformed funds pursuant to Section 191 of Act No. 427/2011 Coll., on supplementary pension savings.

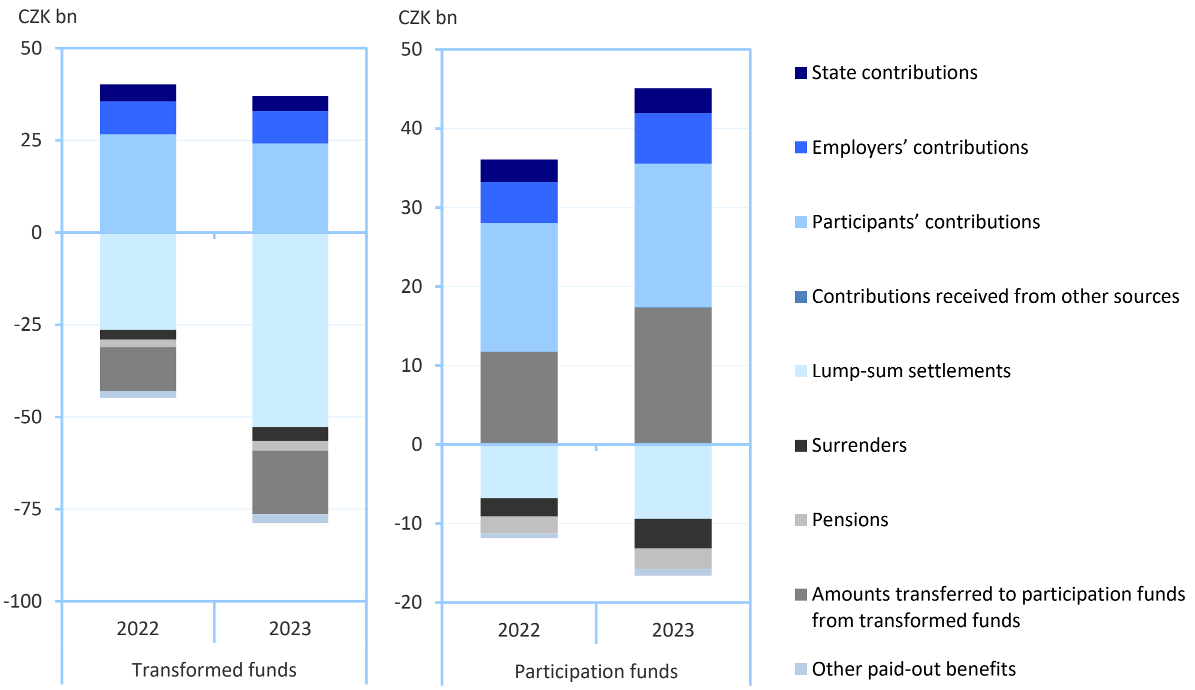
Contributions and paid-out benefits

In 2023, as in 2022, the transformed funds showed a negative balance between contributions received and paid-out benefits, which, however, deepened significantly to CZK -41.7 billion due to the high number of participants who exited these funds. In contrast, for participation funds, the volume of contributions received exceeded paid-out benefits by CZK 28.5 billion, rising by CZK 9.0 billion year on year to CZK 45.1 billion, mainly due to the record volume of participants' assets transferred from transformed to participation funds (Graph 8.4).

The structural dynamics of the volume of contributions was similar in both types of pension funds, with the share of participants' contributions gradually decreasing to 65.2% overall, while the share of employers' contributions increasing to 23.5% and the remaining 11.3% was accounted for by state contributions.

In terms of the form of benefits paid from the transformed funds, lump-sum settlements strengthened their dominant position further, with the share of this form of benefit in the total volume of paid-out benefits[53] increasing by 4.8 pp year on year to 89.3%, reaching an all-time high. In contrast, the share of the benefits paid in the form of pensions fell, as in 2022, by 2.6 pp year on year to just 4.4%. In the case of participation funds, the share of lump-sums in the total volume of paid-out benefits (excluding other paid-out benefits shown in Graph 8.4 due to their random development) decreased slightly by 0.8 pp to 59.8%, and the share of pensions fell by 2.6 pp year on year to 16.5%, due to a significant increase in withdrawals in the form of surrenders.

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



Source: CNB – ARAD, MoF calculations

The average monthly participant's contribution in the transformed funds fell for the first time since 2013, probably in connection with the exit of a significant number of especially higher age participants from these funds, whose average participant's contribution in the transformed funds was generally higher than the average contribution of other participants. By contrast, the average monthly participant's contribution for the participation funds increased slightly above average from the perspective of the reporting period by CZK 18 to CZK 871 (Table 8.1). This confirmed the reversal of the previous trend of a gradual convergence of the average participant's contribution in supplementary pension insurance scheme and the average participant's contribution in the supplementary pension savings scheme (Graph 8.6), which lasted until 2021. As regards the employer's contribution, the increase in this contribution in 2023 was the second highest in the reporting period for the transformed funds and above average for the participation funds.

[53] Excluding funds transferred to participation funds, as well as other paid-out benefits listed in Graph 8.4 due to their random development, which include, for example, funds paid out as inheritance and funds returned to the state budget.

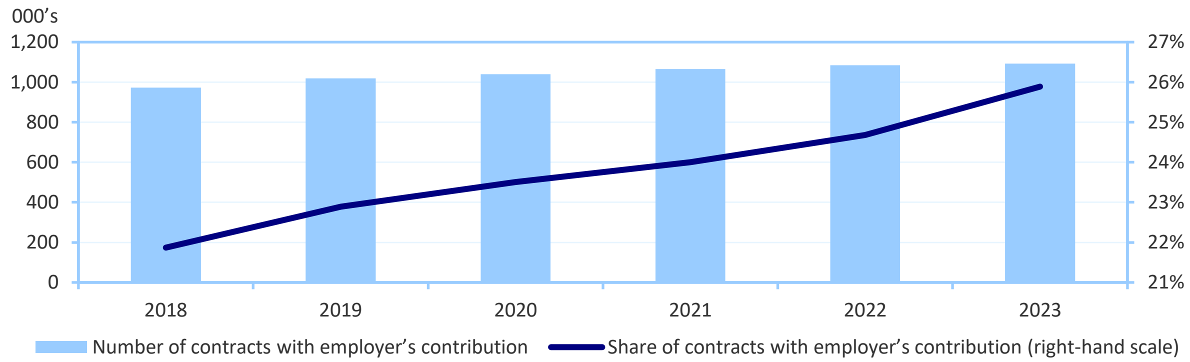
Table 8.1: Average monthly contributions in transformed funds (TF) and participation funds (PF)

	Average CZK/month	2018	2019	2020	2021	2022	2023	Year-on-year change	
								Abs.	(%)
TF	Participant's contribution	680	722	754	781	795	792	-3	-0.4
	Employer's contribution	877	914	1,017	1,055	1,095	1,142	47	4.3
	State contribution	128	133	137	140	141	140	-1	-0.7
PF	Participant's contribution	790	800	812	829	853	871	18	2.1
	Employer's contribution	973	989	1,099	1,143	1,213	1,286	73	6.0
	State contribution	160	160	161	161	162	161	-1	-0.6

Source: APS CR, MoF, MoF calculations

The number of participants with contributions from their employer to their pension savings in Pillar III increased slightly over the reporting period. At the end of 2023, a total of 1,093.4 thousand participants were currently benefitting from employer's contribution in favour of their pension account (Graph 8.5). However, the annual growth rate of the number of participants with an employer's contribution decreased, as in 2022, by 1.1 pp to 0.8%. However, due to the continued decline in the total number of participants in Pillar III, the share of contracts with an employer's contribution increased by 1.2 pp year on year to 25.9%. For participants of economically active age 18 to 64, the share of contracts with an employer's contribution increased by 1.0 pp to 31.9%, with the highest level (36.2%) traditionally reported in case of participants aged 50 to 59.

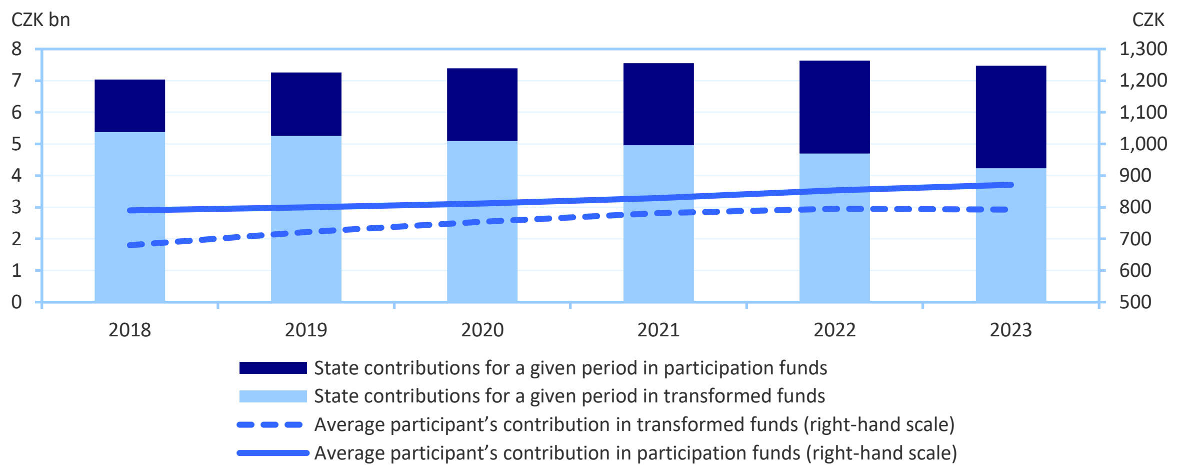
Graph 8.5: Contracts in Pillar III with an employer's contribution



Source: MoF

The total amount of state contributions remitted to the participants of Pillar III decreased for the first time in the reporting period by approx. CZK 161 million to CZK 7.5 billion (Graph 8.6). The share of state contributions to participants in supplementary pension savings scheme as a proportion of total direct state support continued to increase gradually, reaching 43.3% in 2023, thus increasing by almost 20 pp since the end of 2018.

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



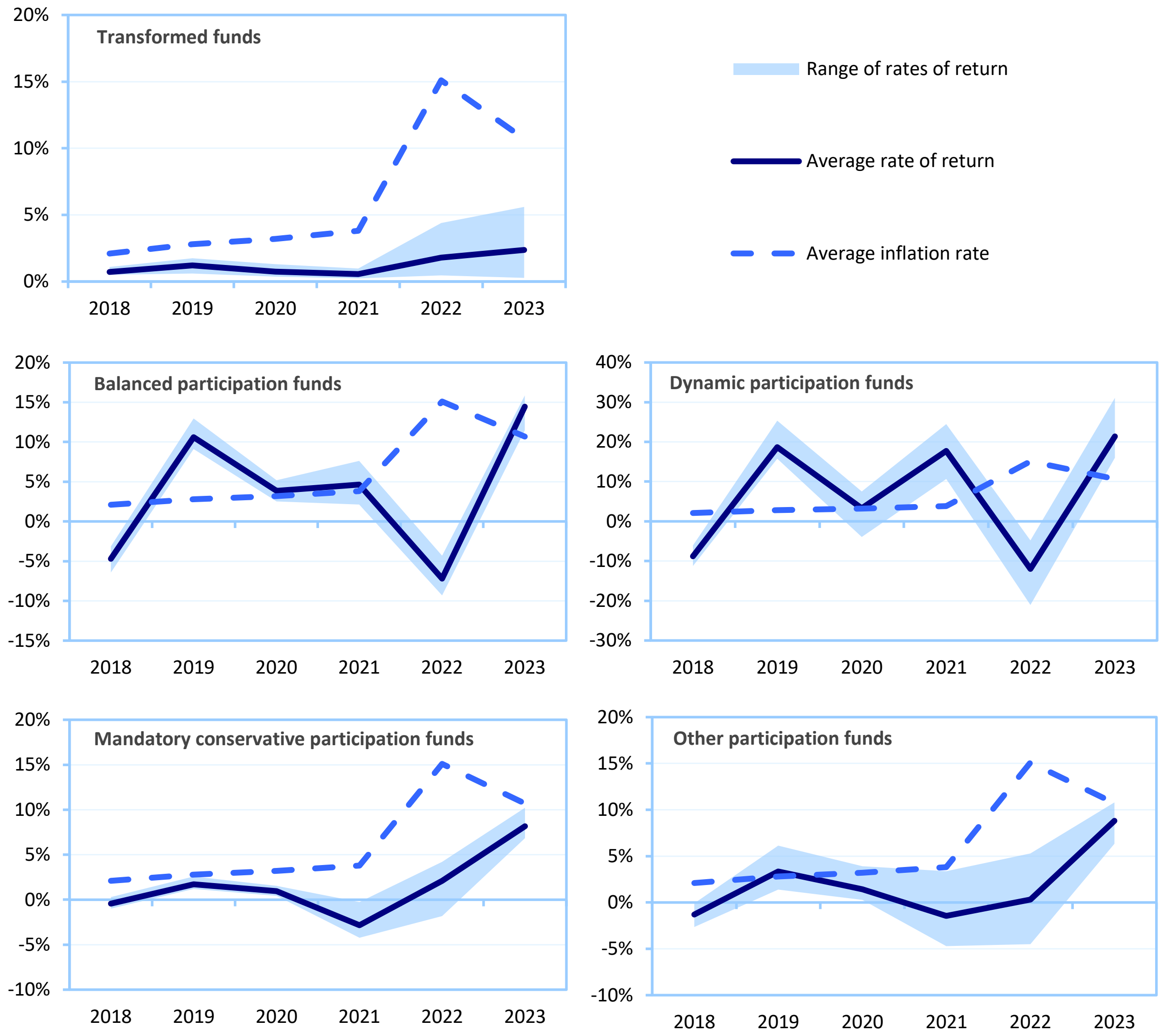
Source: MoF

Profitability and Allocation of Pension Funds' Assets

The total profit of pension funds after its gradual decline between 2020 and 2022, increased by CZK 26.1 billion to CZK 28.5 billion in 2023, i.e. an order of magnitude higher profit than achieved by pension funds in 2019 (CZK 8.6 billion), which until 2023 was the highest total profit since the 2013 reform of the private pension system. While in 2022 the participation funds recorded the highest loss since their start (CZK -4.7 billion), in 2023 they generated their highest profit of CZK 18.5 billion, thanks to the significant rise in share and bond prices, and thus contributed 64.7% of the total profit of pension funds. Similarly, the profit of the transformed funds, which amounted to CZK 10.1 billion in 2023, was an all-time high due to the persisting environment of elevated interest rates.

All types of pension funds performed exceptionally well in 2023. All dynamic and balanced participation funds outperformed the 2023 average annual inflation rate of 10.7% (Graph 8.7), while the average rates of return for both dynamic (21.4%) and balanced (14.5%) participation funds were the highest since they were established in 2013. Mandatory conservative participation funds and transformed funds also recorded their highest average rates of return in history (8.2% and 2.4% respectively), but the appreciation of neither of these funds exceeded the average annual inflation rate.

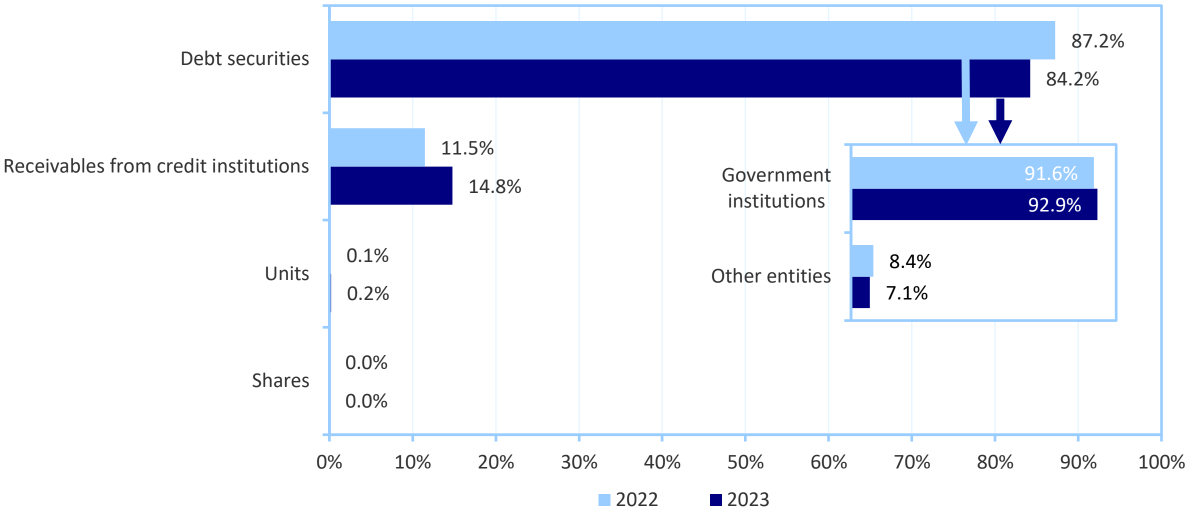
Graph 8.7: Average rate of return in different types of pension funds



Source: APS CR, MoF calculations

Within the very conservative investment portfolio of the transformed funds, there was a year-on-year decrease in the share of debt securities and an increase in the share of receivables from credit institutions. In the portfolio, of debt securities the share of debt securities issued by government institutions increased again at the expense of other issuers (Graph 8.8).

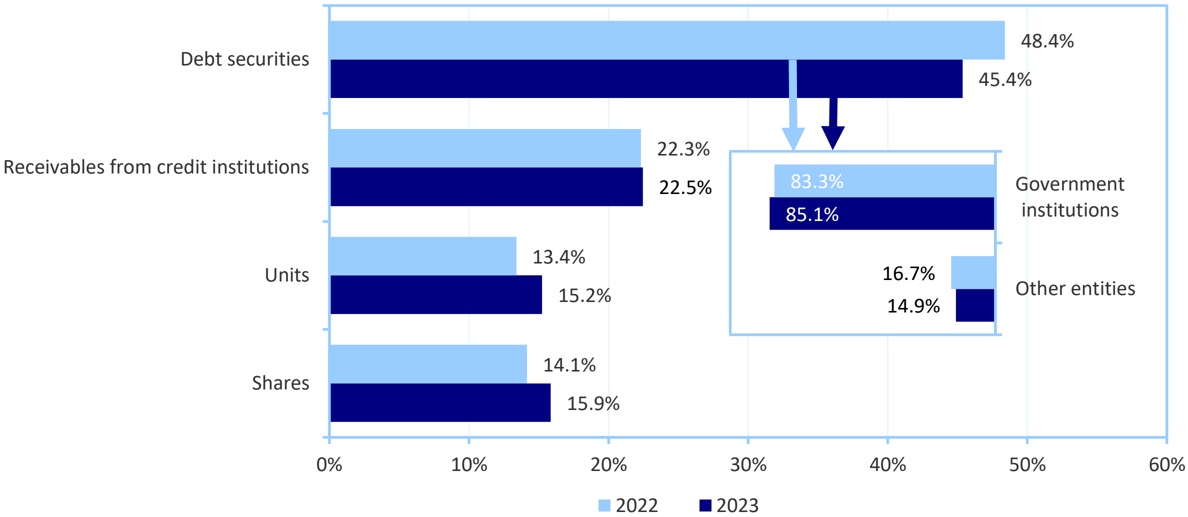
Graph 8.8: Allocation of transformed funds' assets and structure of debt securities according to their issuers



Source: CNB – ARAD, MoF calculations

In the investment portfolio of participation funds, the share of debt securities fell in favour of riskier asset classes in the form of shares and units (Graph 8.9), but this may also have been partly due to the higher price growth of the two. In the portfolio of debt securities, as in the case of the transformed funds, there was an increase in the share of bonds issued by government institutions.

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/cs/financni-trh, 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 participants' personal pension accounts in participation and transformed funds. Profit before tax in the pension management company sector increased significantly by 42.4% to CZK 3.9 billion in 2023 (Table 8.2). The increase in profit was mainly due to a year-on-year increase in total amount of remuneration paid to pension management companies, with remuneration for gains in value of pension funds' assets rising by 80.4% to CZK 1.1 billion and remuneration for the management of pension funds' assets by 8.9% to CZK 5.3 billion.

The ratio of pension management companies' regulatory capital to their total capital requirement continued to show an increasing trend during the reporting period, reaching in 2023 an all-time high (309.0%). This was due on the one hand to a slight increase in the volume of capital and on the other hand to a further decline in the capital requirements volume of pension management companies.

Table 8.2: Selected indicators of the pension management company sector

As at 31 Dec	2018	2019	2020	2021	2022	2023	Year-on-year change	
							Abs.	(%)
Profit or (-) loss before tax (CZK bn)	1.7	2.3	2.3	2.6	2.7	3.9	1.2	42.4
Equity, total (CZK bn)	9.3	10.4	12.5	12.8	10.9	11.1	0.1	1.3
Capital ratio (%)	153.8	167.8	215.9	254.8	268.2	309.0	40.8	15.2

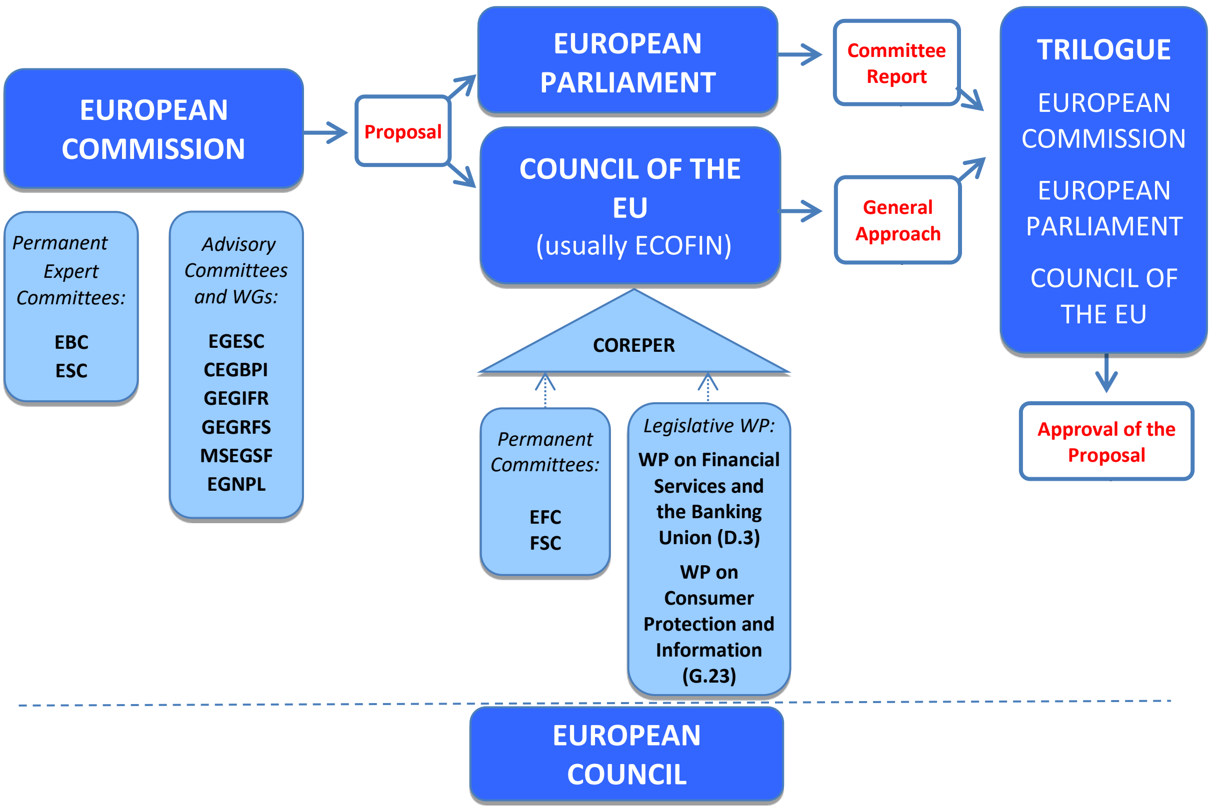
Source: CNB – ARAD, MoF calculations

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 and other selected Commission platforms

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 2023, 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). The Committee did not convene a meeting in 2023. However, in September 2023, the Committee conducted a written procedure to determine the equivalence of Australia's regulatory framework for CCPs under Article 25 of EMIR.

Expert Group of the European Securities Committee (EGESC)
In 2023, meetings of the ESC Expert Group were organised in the form of teleconferences. In February, Member States discussed potential amendments to the UCITS Directive's implementing regulation and the necessity of reviewing the Benchmarks Regulation (BMR)[54]. The Expert Group resumed its BMR review in June, concentrating on third-country administrators. The group then turned its attention to revising the SME definition for accounting purposes in July. The final meeting of 2023, held in September, revisited the BMR review, seeking specific feedback from Member States on their preferred approach to third-country benchmarks.

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.

[54] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014, as amended.

The Commission uses the CEGBPI in the banking formation, or bank regulation and supervision, *inter alia* for the consultation of forthcoming delegated acts resulting from the CRD[55] and from the CRR[56]. In February 2023, the meeting focused, in addition to the macroprudential use of the countercyclical capital buffer (CCyB), also on further amendments to securitisation and the options of implementing the BCBS Standard for the Prudential treatment of cryptoasset exposures, adopted in December 2022. Facilitating a more proactive use of the CCyB buffer and introducing a positive cyclically neutral CCyB for periods when cyclical systemic risks are neither muted nor elevated were discussed. In the area of securitisation, the options for parametric changes to the framework in order to revive the securitisation market were discussed. Another important topic was how to implement the Basel standard for the treatment of banks' exposures to crypto-assets. Although these exposures are low for the time being, banks can expect an increase in the cryptoassets trading by clients and of the associated services provided in the future (by banks to the clients). On the topic of the financial market crisis management framework, a review of the regulation was discussed to adjust the parameters for the calculation of the ex-ante contributions to the resolution funds[57].

The formation for payment services and payments met twice in 2023. In March, by means of a videoconference, the Expert Group mainly addressed issues related to the revision of the Payment Services Directive (PSD2). Member States shared their insights on innovative payment methods and solutions, with the aim to identify which provisions would need to be revised in the light of developments in the payment services market. In September, the expert group focused on the implementing rules for the Financial Sector Digital Operational Resilience Regulation (DORA) and the Markets in Crypto Assets Regulation (MiCA), with the presentation of the delegated acts' draft versions.

During the 2022, the digital euro formation also started to meet due to the upcoming legislative proposal. During 2023 two working groups were held and at the end of June there was a presentation of the package of legislative proposals aimed at creating a legal framework for possible launch of the digital euro, which the ECB could issue in the future to complement cash. Following the publication of the package of legislative proposals, the discussions moved to the EU Council.

In the insurance formation, the expert group met twice by videoconference. The first meeting took place in April 2023 and focused on the proposed design of the EU single claims form for motor third-party liability insurance. The second meeting in December 2023 addressed the renewal of the provisional equivalence between the EU and the US in accordance with Article 227 of the Solvency II Directive. The equivalence relates to capital requirements and expires on 1 January 2026. The Commission worked on the extension of the equivalence looking at 10-year horizon, and in 2024 submitted modifications analysing potential equivalence also towards other countries, e.g. Brazil, Australia, Mexico. Furthermore, the meeting was updated on the implementation and administration of the EU-US agreement on prudential requirements in the insurance and reinsurance sector and on the exchange of information between national supervisors.

In 2023, the Expert Group did not meet in derivatives and market infrastructure formation.

<u>Government Expert Group on the Interchange Fee Regulation (GEGIFR)</u>
The Expert Group was established in 2015 as part of the process of implementing the Interchange Fees for card-based payment transaction Regulation (IFR).[58] 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 2023, the Expert Group met in June via videoconference. The Commission presented to the Member States the latest developments in the card market. Member States also shared the latest experiences related to the implementation of the IFR.

<u>Government Expert Group on Retail Financial Services (GEGRFS)</u>
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

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 Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements.

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

been a revision of the Mortgage Credit Directive (MCD)[59], a revision of the Payment Accounts Directive (PAD) [60], financial education and, more recently, the preparation of the Retail Investment Package. The Expert Group met in March 2023 for presentation of the Retail Investment Strategy, and after the official publication of the proposal by the Commission (the Retail Investment Package), the discussion moved to the Council Working party. It also addressed the transposition of the PAD, for which it conducted a questionnaire survey. In September 2023, a joint EU/OECD-INFE financial competence framework for children and youth was published under a separately formed sub-group on financial education. This has created a non-binding standard of financial literacy for children and youth in the EU. This document was developed by an adaptation and update of the OECD framework for the needs of the EU. In particular, the areas of sustainability and digitalisation have been newly added to the standard.

Member States Expert Group on Sustainable Finance (MSEGSF)
To support the implementation of the Action Plan: *Financing Sustainable Growth and the Transition to a Sustainable Economy within the Member States*, an expert group on sustainable finance was established in April 2018. Within this expert group, Member States assist the Commission in drafting legislative proposals and policy initiatives. Additionally, they contribute to the implementation of EU laws and policies, sharing and negotiating their national positions. The expert group meets irregularly several times a year, depending on the stage of preparation of the regulations and initiatives.

In 2023, the expert group discussed and commented on a number of new regulations and initiatives that the Commission issued in June 2023 as part of a package of measures. This package complemented the EU Sustainable Finance Framework to support the necessary additional financial flows into sustainable investments. More information on the individual measures in the package can be found in Chapter 9.3.

In connection with the preparation of the first set of European Sustainability Reporting Standards (ESRS), joint meetings of the expert group were also held in 2023 with the Accounting Regulatory Committee (ARC) and the European Financial Reporting Advisory Group (EFRAG). Further information on the first set of ESRS is also provided in Chapter 9.3.

In October 2023, the expert group discussed further upcoming initiatives and proposals, with representatives from the Platform on Sustainable Finance, the International Platform on Sustainable Finance, and EFRAG in attendance.

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 coordinate 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 ten various configuration 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 2023, the Presidency was held by Sweden and Spain, in the first half of 2024 by Belgium, which will be followed by Hungary). 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

59 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.

60 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.

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 2023, 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 related to crisis management and deposit insurance, crypto-assets or the economic and financial impact of the military conflict in Ukraine. Ministers were regularly informed at meetings on progress in the negotiation of legislative proposals in the area of financial services and on the state of implementation at the national level of legislation in the area and of financial market already adopted.

At individual meetings, ECOFIN was regularly informed by the Commission on the state of play of the implementation of financial services legislation at each meeting, and in addition:

- was informed by the Swedish presidency on the work programme for the first half of 2023, discussed the economic and financial consequences of the military conflict in Ukraine, and approved recommendation on euro area economic policy for 2023 (17 January 2023);
- discussed the economic and financial consequences of the military conflict in Ukraine; endorsed the EU Terms of Reference for the the G20 Finance Ministers and Central Bank Governors meeting (14 February 2023);
- adopted clusions on orientations for a reform of the EU economic governance; discussed the economic and financial consequences of the military conflict in Ukraine; was informed on the main outcomes of the G20 meeting of finance ministers and central bank governors (14 March 2023);
- at the informal meeting of finance ministers and central bank governors in Stockholm discussed the issue of rising costs for households and businesses; discussed the stabilisation role of fiscal policy, the revision of fiscal rules and the proposal for sustainable public finances; discussed the reconstruction of post-war Ukraine (28-29 April 2023);
- was informed on proposals concerning the review of the framework for bank crisis management and deposit insurance; adopted the Regulation on Markets in Crypto-Assets (MiCA); assessed the economic and financial consequences of the military conflict in Ukraine; was informed on the main outcomes of the Spring Meetings of G20 Finance Ministers and Central Bank Governors and the IMF (16 May 2023);
- discussed proposed reforms to the economic governance framework; discussed the economic and financial impact of the military conflict in Ukraine; provided guidance for further work in preparation for the G20 Finance Ministers and Central Bank Governors meeting in July 2023 (16 June 2023);
- discussed financial support to Ukraine in the context of the mid-term review of the EU's long-term budget and the related proposal to establish the Ukraine facility; was informed about the Spanish Presidency's priorities in the economic and financial areas for the second half of 2023 (14 July 2023);
- at the informal meeting of finance ministers and central bank governors in Santiago de Compostela, it committed to strengthening the EU's economic security and strategic autonomy and to maintaining fiscal and monetary policy coordination to address current and future challenges (15-16 September 2023);

- took stock of progress in the review of the economic governance framework; discussed the economic and financial impact of the military conflict in Ukraine; endorsed conclusions on climate finance in preparation for the UN conference; was briefed by the Commission on the main outcomes of the G20 Finance Ministers and Central Bank Governors meeting; was informed on the state of implementation of the already adopted EU directives (17 October 2023);
- discussed the economic and financial impact of the military conflict in Ukraine; discussed the 2023 annual report of the European Fiscal Board and the 2022 EU Budget Implementation Report (9 November 2023);
- was briefed on progress on the single currency package, which includes a proposal setting out the legal framework for the possible introduction of the digital euro and a proposal on the legal tender status of euro cash; received updates from the Commission on the state of play of the economic and financial impact of of the military conflict in Ukraine (8 December 2023)

Permanent Committees and Working Parties of the Council

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.

Financial market topics discussed in these committees during 2023 included regular analyses of financial sector risks, reports by European Supervisory Authorities on supervisory convergence and consumer trends, ESRB reports on vulnerabilities in the commercial real estate sector, climate stress tests of Institutions for occupational retirement provision (IORPs), Banking and Capital Markets Union matters, the digital euro, securitisation, crypto-assets, cybersecurity, reports on the equivalence of third country regulatory regimes, dialogue with the US on financial market regulation, the results of the EU joint stress tests and recent developments in relationswith the UK.

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 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 from their Permanent Representation in Brussels particularly during later phases of the discussion on proposals.

In 2023, negotiations were underway on the European Green Bond Regulation (EuGB), the Instant Payments Regulation, the Central Securities Depositories Regulation (CSDR refit), the Listing Act package, the Financial Data Access Framework Regulation (FIDA), and the Benchmarks Regulation Review (BMR), Regulation and Directive implementing the Basel III International Standard (CRR III/CRD VI), the proposal establishing a single European access point providing centralised access to publicly available information on financial services, capital markets and sustainability (ESAP), the review of the Alternative Investment Fund Managers Directive (AIFMD), the review of the Markets in Financial Instruments Regulation and Directive (MiFIR), the review of the regulation of central counterparties (EMIR 3), the review of the financial sector crisis management and deposit insurance framework (CMDI and Daisy Chains II), the Payments package, the Digital Euro package, the Retail investment package (RIP), and the proposal for a regulation on transparency and integrity of environmental, social and governance (ESG) rating activities.

For more information on the individual proposals under discussion, see Chapter 9.3.

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 from their Permanent Representation in Brussels particularly during later phases of the discussion on proposals. On the MoF's agenda, technical negotiations with the European Parliament on the proposal for an amended Consumer Credit Directive (CCD2), subsequently published in the Journal in October 2023 as 2023/2225/EU, were held in the first half of 2023. In parallel, technical negotiations with the European Parliament on a revised rules for distance marketing of financial services (DMFS) contracts were also held. The resulting legal act was published in the Journal in November 2023 as 2023/2673/EU.

For more information on the individual proposals under discussion, see 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).

As in the previous year, the EC meetings during 2023 were greatly affected by the military conflict in Ukraine. In February 2023, an extraordinary session was held in which EU leaders held an exchange of views with the Ukrainian President on EU support for Ukraine and its people. Ukraine applied for EU membership in June 2022 and was granted candidate status. EU leaders commended the considerable efforts Ukraine has made to meet the objectives underlying its candidate status and welcomed the country's reform efforts at such a difficult time. EU leaders also discussed how to realise the full potential of the EU single market and how to ensure a level playing field within the EU and globally. The leaders also called on the Council of the EU and the European Parliament to accelerate the implementation of the Capital Markets Union Action Plan. In June 2023, EU leaders stressed the need to strengthen both the economic resilience and security of the EU in order to defend its values at the global level while maintaining an open economy. At the October meeting, the leaders discussed the mid-term revision of the EU's long-term budget, the 2021-2027 Multiannual Financial Framework, including the most pressing needs and how to fund future priorities. Then, in December 2023, EU leaders decided to open accession negotiations with Ukraine and Moldova and granted candidate status to Georgia.

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 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.*

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.

Committees and other selected OECD platforms

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.

Meetings in 2023 focused primarily on OECD activities in the areas of sustainable finance (reporting on the transition to carbon net zero economy, bonds with elements of sustainability, biodiversity) and digitalization of the financial sector (asset tokenization, open finance, decentralised finance, artificial intelligence, central bank digital currencies). Global financial market developments in the inflationary and elevated monetary policy rate environment and corporate bond market were also important topics of discussion.

Committee on Financial Markets' Experts Group on Finance and Digitalisation (EGFD)
The EGFD is an expert group that focuses on decentralised finance and the crypto-asset 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 prepared a study on the potential of data in financial services, conducted between May 2022 and June 2023 with the support of the Commission via the Technical Support Instrument. The report was published in June 2023 under the title Supporting FinTech Innovation in the Czech Republic: Regulatory Sandbox Design Considerations. In December 2023, the expert group presented its draft report on open finance and a report on generative artificial intelligence in finance.

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. 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 2023 focused mainly on national financial market measures with a potential impact on capital flows and some other issues related to the developments of capital flows and the rules for their liberalisation, including in the context of issues such as climate change or the risk of global capital flows fragmentation.

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.[61] The IPPC contributes to international cooperation, coordination, and a higher level of compatibility with regard to the regulation of

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

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 2023, the committee met twice. At the June meeting, a report on the use of technologies in the area of risk assessment was discussed, and the following discussion also addressed ways to reduce risks. The Committee also considered the OECD Council Recommendation of Building Financial Resilience to Disaster Risks and discussed options for investing in alternative assets. The Committee also presented on global insurance market trends based on OECD data collection. The December IPPC meeting addressed global market trends, hard-to-insure risks and broader catastrophe risk coverage, digitalisation and its use for risk prevention and mitigation.

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 2023. The Committee met twice in 2023. The June meeting covered, among other things, a draft revision of the Recommendation on Core Principles of Private Pension Regulation, draft IOPS Supervisory Guidelines on the Integration of ESG Factors in the Investment and Risk Management of Pension Funds, and a document analysing and comparing the actual asset allocation and performance of selected defined contribution pension schemes. The December meeting focused, among other things, on the issue of matching pension products to the specific financial needs of retirement-age individuals, taking into account the context of different countries and their demographic profiles and on international comparisons of multi-employer occupational pension experiences.

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 2023, the working group dealt with organisational matters (mandate, programme of work, election of the members of the group's steering committee for the next two years) as well as a report on the evolution of consumer financial risks, the topics of digitalisation and sustainability of financial services, the protection of vulnerable consumers, crypto-assets and the definition and measurement of financial well-being.

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[62] 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 September 2023, a joint OECD/EU Financial competence framework for children and youth was published by a dedicated sub-group on financial education. This has created a non-binding standard of financial literacy for children and youth in the EU. This document was developed by adapting and updating the OECD framework for the EU. In particular, the topics of sustainability and digitalisation have been newly added.

At the end of 2023, INFE published the final report of the adult financial literacy survey, which took place at the turn of 2022 and 2023, i.e. outside the established five-year interval. In addition, INFE addressed the topic of greenwashing (deceptive practices related to the promotion of sustainability aspects, in particular the environmental attributes of products or services) and current trends and risks in sustainable finance. In this respect, the report *Financial Consumers and Sustainable Finance: policy implications and approaches* was published. Following the revision, a *Report on Resources for National Strategies on Financial Literacy* was also published, which primarily focuses on recommendations and best practices in the development, application and revision of national strategies.

G20

The G20 brings together the finance ministers and the central bank governors from nineteen countries and two regional groupings – the African Union and the EU (which is represented by the presiding member state and the

62 https://www.oecd.org/finance/financial-education/

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 2023, G20 leaders met for a two-day summit hosted by the Indian G20 Presidency in New Delhi under the theme One Earth, One Family, One Future. The Group's deliberations resulted, inter alia, in the following conclusions, where leaders:

- supported the Financial Stability Board's (FSB) work to address the vulnerabilities and enhance the resilience of non-bank financial intermediation (NBFI);
- welcomed the FSB's report: Revised Policy Recommendations to Address Structural Vulnerabilities from Liquidity Mismatch in Open-Ended Funds and the FSB's report on The Financial Stability Implications of Leverage in NBFIs, and also supported the implementation of the FSB's proposals on money market funds;
- welcomed the FSB's Recommendations to achieve greater convergence in cyber incident reporting, the update of the Cyber Lexicon and the draft of the Format for Incident Reporting Exchange (FIRE) and, in this context, encouraged the FSB to adopt an action plan with an appropriate timeline;
- welcomed the FSB's report on Enhancing Third-Party Risk Management and Oversight, and in this context expressed expectations in terms of enhancing the operational resilience of financial institutions, addressing the challenges arising from their increasing reliance on critical third party service providers, including BigTechs and FinTechs, as well as reducing fragmentation in regulatory and supervisory approaches across jurisdictions and in different areas of the financial services sector;
- reaffirmed their commitment to the effective implementation of the priority actions for the next phase of the G20 Roadmap for Enhancing Cross-border Payments to achieve faster, cheaper, more transparent and inclusive cross-border payments by 2027 and welcomed the successful conclusion of G20 TechSprint 2023, a joint initiative with the BIS Innovation Hub that will promote innovative solutions aimed at improving cross-border payments;
- welcomed the annual progress report on the FSB's Roadmap for Addressing Financial Risks from Climate Change and supported the revised G20/OECD Principles of Corporate Governance to strengthen policy and regulatory frameworks that promote sustainability and financing through capital markets, which can contribute to the resilience of the broader economy;
- reaffirmed their commitment to promoting sustainable capital flows.

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 FSB 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 organisation. Individual countries are represented in the FSB by the authorities 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 (Basel Committee on Banking Supervision, Committee on Payments and Market Infrastructure, Committee on the Global Financial System, International Organization of Securities Commissions, etc.) 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 2023, representatives from FSB member countries met regularly both at the 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; risks associated with so called decentralised finance; approaches to climate-related financial risks, with a focus on climate scenario analysis; financial stability risks arising from leverage in the non-bank financial intermediation sector; and oversight and management of financial institutions' risks from outsourcing of critical services to third parties.

Priorities for the FSB's work programme in 2023 included supporting global cooperation on financial stability, enhancing the resilience of the non-bank financial intermediation sector, enhancing cross-border payments, harnessing the benefits of digital innovation while containing its risks, and addressing financial risks from climate change.

In the area of enhancing the resilience of the non-bank financial intermediation sector, the FSB has revised its recommendations to address structural vulnerabilities from liquidity mismatch in open-ended funds and has examined the financial stability implications of leverage in non-bank financial intermediation across FSB jurisdictions. In addition, the FSB issued the progress report on the implementation of G20 non-bank financial intermediation reforms and the global monitoring report on non-bank financial intermediation.

As part of the initiative to enhance cross-border payments, the FSB and the Committee on Payments and Market Infrastructure (CPMI) have identified three priority interconnected themes – payment system interoperability and extension; legal, regulatory and supervisory frameworks; and cross-border data exchange – that they will focus on in implementing the roadmap to achieve cheaper, faster, more transparent, and more accessible cross border payments. The FSB has looked at national and regional data frameworks relevant to the operation, regulation and supervision of cross-border payments to identify issues relating to the use of data needed for cross-border payment transactions. The FSB also issued the annual progress report on meeting key performance indicators for cross-border payments.

On the topic of harnessing the benefits of digital innovation while containing its risks, the FSB has published its final recommendations for the regulation, supervision and oversight of crypto-asset activities and markets and recommendations for the regulation, supervision and oversight of global stablecoin arrangements. In collaboration with the IMF, the FSB has produced a report that summarises a number of their policy recommendations and standards to help national authorities address the macroeconomic and financial stability risks posed by crypto-asset activities and markets, including those associated with stablecoins and decentralised finance. In addition, the FSB addressed the financial stability implications of multifunction crypto-asset intermediaries and the financial stability risks of decentralised finance.

In terms of addressing climate-related financial risks, the FSB has examined compensation practices around climate-related objectives and how the stated goal of financial institutions is incorporated into their compensation frameworks. Progress reports on climate-related financial disclosures have also been published.

In the area of resolution and crisis management, the FSB addressed in 2023 the issues arising from the use of unallocated resources to meet the internal Total Loss-Absorbing Capacity (TLAC) and provided for consultation the results of its qualitative analysis on the set of financial resources and tools for the resolution of systemically important central counterparties. The FSB has also assessed the progress made by member countries in implementing resolution reforms in the banking, financial market infrastructure and insurance sectors. Based on its analysis of the failures of Credit Suisse in Switzerland and regional banks in the US, the FSB highlighted issues related to ensuring effective implementation of the international resolution framework that merit further attention in the FSB's future work. As it does annually, the FSB published an updated list of global systemically important banks (G-SIBs), including the level of additional capital buffer rates they should meet in the future.

Other FSB activities included drafting a toolkit for financial institutions and financial authorities to enhance third-party risk management and oversight, publishing recommendations to achieve greater convergence in cyber incident reporting, and issuing a report on financial stability aspects of commodities markets, focusing on the mechanisms by which potential stresses in these markets could be transmitted to the wider financial system.

BCBS

The Basel Committee on Banking Supervision, which operates under the Bank for International Settlements (BIS), is a global standard-setting body for the regulation of banks and a forum for cooperation on banking supervision matters, for which the BCBS also develops standards and recommendations. The best-known standards are the International Standards on Capital Adequacy or 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. The BCBS was created by the central banks of the G10 countries in 1974. Its 45 members include central banks and supervisors from 28 countries, but 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 joint representatives of some EU institutions.

In addition to pursuing a forward-looking approach to identifying and assessing emerging risks and vulnerabilities to the global banking system, the BCBS work programme in 2023 put high priority on work related to the ongoing digitalisation of finance, climate-related financial risks and monitoring, implementing and evaluating the Basel III framework.

Besides the annual review of the impact of Basel III standards on banks and the regular assessment of their implementation across the individual jurisdictions, the BCBS also published a report on the progress of global systemically important banks (G-SIBs) in adopting the principles for effective risk data aggregation and risk reporting and examined the causes of the failures of Silicon Valley Bank, Signature Bank and First Republic Bank in the US and Credit Suisse in Switzerland in March and May 2023. As part of its ongoing work to increase the transparency of margin requirements, the BCBS, in collaboration with the Committee on Payments and Market Infrastructure (CPMI) and the International Organization of Securities Commissions (IOSCO), analysed margin dynamics in centrally cleared commodities markets during a period of high volatility in 2022.

In terms of international standard-setting and its updates, the BCBS has made technical changes to the standardised approach to operational risk, the disclosure standards for credit valuation adjustment (CVA) risk, the description of the calculation of indicator scores for G-SIBs and the terminology used in the countercyclical capital buffer.

Through its newsletters, the BCBS reported on its ongoing internal discussions on credit risk issues and on the implementation of the Principles for the effective management and supervision of climate-related financial risks, issued in June 2022, and the Principles for operational resilience and revisions to the Principles for the sound management of operational risk, issued in March 2021.

In 2023, the BCBS launched a consultation on revisions to the structure and content of the Basel Core Principles for Effective Banking Supervision, which represent minimum standards for sound prudential regulation and supervision of banks. Further consultations were held on the draft disclosure of banks' exposures to crypto-assets, the draft qualitative and quantitative disclosure requirements for climate-related financial risks, recalibration of shocks for interest rate risk in the banking book, and an update to the requirements for banks' exposures to stablecoins under the prudential standard on banks' exposures to crypto-assets. The BCBS also sought feedback from market participants on its assessment of the supervisory and financial stability implications of digital fraud on the global banking system.

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)[63] 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.

The resumption of the political debate took place at the turn of 2019 and 2020. Leaders at the Eurosummit in December 2020, in an inclusive format, called on the Eurogroup in an inclusive format to prepare a "stepwise and time-bound work plan" on all elements necessary to complete the banking union. Due to persistent disagreements among member states over particular elements, the June 2022 Eurogroup leaders' agreement was directly limited to strengthening the bank crisis management framework and deepening the harmonisation of national deposit insurance schemes. Subsequently, the state of the banking union should be reassessed and agreement on possible next steps should be reached by consensus.

In March 2024, discussions on EDIS resumed in the European Parliament. In April 2024, the ECON Committee report was adopted.

Digital Finance Package
In September 2020, the Commission released the Digital Finance Package, which comprises four legislative proposals: a proposal for a regulation on markets in crypto-assets (MiCA); a proposal for a regulation on digital resilience of financial sector (DORA); a proposal for a regulation on a pilot regime for market infrastructure based

[63] 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.

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 included two non-legislative measures: the Retail Payments Strategy and the Digital Finance Strategy.

The DORA Regulation, the Pilot Regime Regulation and the amending directive were published in the Journal already in 2022[64].

In May 2023, the MiCA[65] Regulation was published in the Journal as the first comprehensive European legislation regulating offers of crypto-assets to the public and the provision of crypto-asset-related services. The Regulation establishes harmonized conditions across the EU for the activities of crypto-asset service providers (such as crypto exchanges or crypto brokers/trading platforms), which will newly have to be licensed. The Regulation will substantially contribute to improved consumer protection.

Consumer Credit Directive (CCD2)

In October 2023, the new Consumer Credit Directive (CCD2)[66] was published in the Journal, with the text negotiated in trilogues during the Czech Presidency and fine-tuned technically during the Swedish Presidency. The CCD2 remains in the maximum harmonisation regime, to be transposed by November 2025 and to take effect, i.e. to replace the existing CCD1[67], by November 2026. The Directive has a broader scope due to the removal of a number of exemptions (e.g. for credits under EUR 200 or credits that are free of interest and without any other charges, overdrafts with a maturity of up to 1 month, credits with a maturity of up to 3 months with minimal costs), being more detailed (e.g. for creditworthiness assessments) and aligning the rules with the Mortgage Credit Directive (MCD)[68] by adopting a number of its provisions (e.g. generally available information, advice, institutional requirements including professional competence and remuneration rules). The Directive now prohibits the provision of consumer credit or ancillary services without the consumer's explicit request and consent, forbids certain advertising practices, limits the right of contract withdrawal to 12 months and 14 days after the credit has been negotiated except where the consumer has not been informed of this right, obliges Member States to introduce measures against excessive credit prices (for APRC, interest rate or total cost of credit), obliges credit providers to apply forbearance measures defaulting borrowers (this is a follow-up to the Credit Servicers and Credit Purchasers Directive (NPL)[69]) and obliges Member States to promote measures to support consumer financial education and to ensure that debt advisory services are made available.

European Green Bonds (EuGB)

In November 2023, the regulation on European green bonds[70] was published in the Journal. 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. Proceeds 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 reviewers registered by ESMA. Any legal person, including a sovereign state, may issue European green bonds.

64 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; 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; 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.

65 Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 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.

66 Directive (EU) 2023/2225 of the European Parliament and of the Council of 18 October 2023 on credit agreements for consumers and repealing Directive 2008/48/EC.

67 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.

68 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.

69 Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit purchasers and amending Directives 2008/48/EC and 2014/17/EU, as amended.

70 Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds.

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 (newly small and non-complex) in the context of proportionality.

Negotiations on the proposal of the reviewed of the Solvency II Directive have been ongoing in the EU Council Working Party since October 2021. The general approach of the EU Council was approved in June 2022. Political and technical trilogues took place during the Spanish Presidency in the second half of 2023, with the technical trilogues being finalised during the Belgian Presidency in January 2024. The first reading in the European Parliament took place in April 2024. This will be followed by a lawyer-linguist review and work on translations. Publication in the Journal is expected by the end of 2024.

The approval of the draft review of the Directive is closely linked to the delegated act, which was discussed in parallel during 2023 in the CEGBPI expert group meetings and negotiations are continuing in 2024.

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 (IRRD)[71]. 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 policyholders. 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.

Negotiations on the proposal in the EU Council working group started in October 2021. A general approach of the EU Council was achieved under the Czech Presidency in December 2022. Political and technical trilogues were held during the Spanish Presidency, with a preliminary political agreement reached in December 2023. The technical trilogues were completed under the Belgian Presidency in January 2024, followed by a lawyer-linguist review and work on translations. Publication in the Journal is expected by the end of 2024.

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 (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 revisions to the treatment of administrative sanctions, revisions to supervisory powers, the treatment of sustainable finance in the context of ESG risks, regulation in the fit-and-proper field, and changes to the treatment of third country branches and partial revision to macroprudential tools.

[71] 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.

Negotiations on the proposal in the EU Council Working Party started in November 2021 and continued through the Czech Presidency, when the general approach of the EU Council was approved in November 2022. The process of negotiations continued throughout 2023 under the Swedish and Spanish Presidencies with technical and political trilogues. In March 2024, work on translations and lawyer-linguist review to the final draft text was completed. In April 2024, the plenary of the European Parliament approved the final text of both legal texts (CRD IV and CRRIII). It was published in the Journal[72] in June 2024.

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 European Single Access Point (ESAP); a proposal for a review of the regulation on 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).

In December 2023, regulations establishing an European single access point to publicly available information of relevance to financial services, capital markets and sustainability (ESAP)[73] were published in the Journal. Financial and corporate sustainability information is currently fragmented, appearing in multiple languages and on numerous platforms. These inefficiencies pose a barrier to cross-border investing. Therefore the ESAP is being established by ESMA, at the EU level, to collect publicly available information on EU companies and investment products. ESAP does not introduce any new information obligations in terms of content, only centralizes the location and unifies the format of already published data. The ESAP is expected to be available since July 2027 and data should be added to it in stages according to sectoral regulations.

The review of the regulation on European Long-Term Investment Funds (ELTIFs) addresses a relatively small and underutilised market (about 57 funds in just four EU Member States) with the aim to make investing in the ELTIFs 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 extension of the scope of eligible assets and investments, the introduction of more flexible rules for the operation of these funds (e.g. by allowing fund-of-funds and master-feeder structures, by relaxing the rules on fund portfolio composition and risk diversification, or by modifying the rules on cash borrowing), or the reduction of excessive barriers for 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. During the Czech Presidency, an agreement was reached in trilogues on policy issues, including in particular sustainability issues, the scope for relaxing product design rules and the protection of retail investors. The compromise text for the revision of the ELTIF Regulation was approved by the Council in December 2022. In March 2023, the regulation was adopted and published in the Journal[74], with the Regulation taking effect from 10 January 2024. The aim of the review of the Alternative Investment Fund Managers Directive (AIFMD) is to increase the efficiency of financing through investment funds by harmonising the legal framework for funds that provide loans to companies. The revised provisions also aim to improve investor protection. This should be reflected, for example, in the fact that third parties to whom fund managers have delegated certain activities comply with the same rules across the EU. The EU Council's general approach was adopted in June 2022. Trilogues started in March 2023 and the agreement with the European Parliament was reached in July 2023

[72] Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor and Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks.

[73] Regulation (EU) 2023/2859 of the European Parliament and of the Council of 13 December 2023 establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability, Regulation (EU) 2023/2869 of the European Parliament and of the Council of 13 December 2023 amending certain Regulations as regards the establishment and functioning of the European single access point and Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023 amending certain Directives as regards the establishment and functioning of the European single access point.

[74] 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.

during the Spanish Presidency. The Directive was adopted in February 2024 and published in the Journal[75] in March 2024.

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 streamline and in some areas increase transparency. Specifically, this involves new provisions for the "consolidated tape" (CT), a tool to ensure that EU trading data from trading systems, especially from regulated markets, are collected, consolidated and distributed in one place. All investors, whether retail or professional, would have access to consolidated data across EU markets, regardless of the financial instruments involved. The receipt of payment for routing the flow of orders (PFOF) is newly forbidden. The Czech Presidency was able to achieve a balanced compromise and the EU Council's general approach was approved in December 2022. Trilogues have been ongoing since March 2023 and a political agreement was reached with the European Parliament in June 2023, the technical work was completed by the Spanish Presidency and the proposal was finally approved by the COREPER in October 2023. The reviewed Regulation and the corresponding Directive were published in the Journal in March 2024[76].

Central Securities Depositories (CSDR refit)

A review[77] of the Central Securities Depositories Regulation (CSDR) was published in the Journal in December 2023[78]. This regulation follows on from the Digital Finance Package and is mainly related to the regulation on a pilot regime for market infrastructures based on distributed ledger technology (DLT). The regulation is intended to streamline settlement discipline and supervisory cooperation, and introduce supervisory colleges. The regulation also streamlines the passporting scheme (cross-border provision of services), regulates the provision of services by third-country central depositories, and governs banking ancillary services.

Distance Marketing in Financial Services (DMFS)

In November 2023, a review[79] of the rules on Distance Marketing in Financial Services (DMFSD[80]) was published in the Journal, having been largely negotiated in the Council during the Czech Presidency in 2022 and then finalised during the Swedish Presidency in the first half of 2023. The new rules are no longer contained in a separate directive, but are incorporated as a new chapter of the Consumer Rights Directive, which is in maximum harmonisation regime.

The regulation is intended to serve as a regulatory safety net for products that are not (yet) covered by a specific sectoral EU regulation or are excluded from its application. The potential set of services affected is quite diverse. These include, for example, credit crowdfunding, non-purpose mortgages secured by non-residential real estate, some savings and deposit products or certain non-life insurance products.

The Consumer Rights Directive takes over the existing rules from the DMFSD, which it further modifies and extends, in particular in the area of pre-contractual information and the right of withdrawal (introducing some new information obligations, the possibility of layering pre-contractual information when providing it by electronic means, the obligation to provide an adequate explanation and reminder of the right of withdrawal, limiting the right of withdrawal to 12 months and 14 days from the conclusion of the contract, except where the consumer has not received information about this right). The Directive also sets certain rules to protect consumers when concluding contracts for financial services online (protection against dark patterns in online interfaces). A new significant feature is the withdrawal function, an option for consumers to easily withdraw

75 Directive (EU) 2024/927 of the European Parliament and of the Council of 13 March 2024 amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, the provision of depositary and custody services and loan origination by alternative investment funds.

76 Regulation (EU) 2024/791 of the European Parliament and of the Council of 28 February 2024 amending Regulation (EU) No 600/2014 as regards enhancing data transparency, removing obstacles to the emergence of consolidated tapes, optimising the trading obligations and prohibiting receiving payment for order flow; directive (EU) 2024/790 of the European Parliament and of the Council of 28 February 2024 amending Directive 2014/65/EU on markets in financial instruments.

77 Regulation (EU) 2023/2845 of the European Parliament and of the Council of 13 December 2023 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 and amending Regulation (EU) No 236/2012.

78 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.

79 Directive (EU) 2023/2673 of the European Parliament and of the Council of 22 November 2023 amending Directive 2011/83/EU as regards financial services contracts concluded at a distance and repealing Directive 2002/65/EC.

80 Directive 2002/65/EC of the European Parliament and of the Council of 23 September 2002 concerning the distance marketing of consumer financial services and amending Council Directive 90/619/EEC and Directives 97/7/EC and 98/27/EC, as amended.

from a contract concluded online (e.g. via a website or an app). This function does not apply only to traders offering financial services, but it is introduced to all traders providing or intermediating services through an online interface.

Instant Payments

In October 2022, the Commission published a proposal for a Regulation amending the SEPA Regulation[81] and the Cross-Border Payments Regulation[82] and introduces mandatory provision of euro-denominated instant payments. The aim of the proposal is to make instant euro payments available across the EU (365/24/7), within 10 seconds. 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 introduces the "IBAN-name check", i.e. the obligation to verify whether the IBAN (International Bank Account Number) matches the name of the intended payee that the payer provides when entering the payment order. In addition, the proposal forsees "sanction screening", i.e. checking whether the user to whom the instant payment is sent is not on the sanctions list, so that this verification does not cause excessive non-execution of instant payments. 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.

Negotiations on the proposal in the EU Council working group started in November 2022, and a compromise proposal was submitted in April 2023. The mandate of the EU Council for negotiations with the European Parliament was approved in May 2023. The Czech Republic, together with Denmark, Poland and Hungary, submitted a joint statement on the text, which calls for greater attention to the situation of payment service providers in non-euro area member states in terms of euro liquidity management. The first trilogue took place under the Spanish Presidency in July 2023 and a political agreement was reached in the second trilogue in November 2023. The process of linguist review was initiated towards the end of 2023. The Instant Payments Regulation was published in the Journal in March 2024[83].

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[84], a proposal for a regulation to make capital markets more attractive[85] and a proposal for a directive on multiple-voting shares[86] (the last proposal falls within the portfolio of the Ministry of Justice). The package aims to make it easier for enterprises, in particular for small and medium-sized 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[87]), the introduction of a system of information and data sharing between national supervisory authorities 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), and the modification of the free-float

81 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.

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

83 Regulation (EU) 2024/886 of the European Parliament and of the Council of 13 March 2024 amending Regulations (EU) No 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro.

84 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.

85 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

86 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.

87 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.

requirement (abolition of the Listing Directive and transfer of the relevant provisions to the MiFID II). In January 2023, discussions were launched by the EU Council Working Group and in June 2023 the general approach was approved. In November 2023, trilogue negotiations were launched. As the European Parliament insisted on discussing the package as a whole and the Council of the EU did not agree to the Spanish Presidency's proposal to amend the general approach in relation to the proposal for a directive on multiple-voting shares, the Spanish Presidency was unable to successfully complete the trilogue negotiations. Subsequently, the Belgian Presidency took over the negotiations in January 2024 and brought them to a successful conclusion. Work on translations is underway into national languages. Publication in the Journal is expected by the end of 2024.

European Market Infrastructure review (EMIR 3)
In December 2022, the Commission published a proposal of a package aimed at increasing the attractiveness and resilience of CCP clearing services in the EU, promoting open strategic autonomy in the EU and preserving financial stability. The package aims to reduce the regulatory burden, in particular for CCPs in obtaining authorisations, as well as to expand the portfolio of products offered, as the procedures involved have proven to be very complicated and slow. In addition, the proposal seeks to increase support for clearing in the EU and to encourage market participants to clear their derivatives trades primarily in the EU, thereby building a resilient market infrastructure. The proposal also responds to the situation in energy markets following the outbreak of the war in Ukraine by increasing the transparency of margin calls so that market participants can better anticipate them. Last but not least, the proposal aims to reduce the EU's reliance on clearing with CCPs established in third countries. The package amends the CRR and the Money Market Fund Regulation (MMFR)[88] as well as the Capital Requirements Directive (CRD) and the Investment Firm Directive (IFD)[89]. The mandate of the EU Council for negotiations with the European Parliament was approved at COREPER in December 2023 and a first political trilogue was subsequently held. A political agreement with the European Parliament was reached in February 2024. Work is currently underway on the translations. Publication in the Journal is expected by the end of 2024.

Crisis Management and Deposit Insurance (CMDI)
In April 2023, the Commission published proposals to amend the framework for crisis management in the financial sector and deposit insurance (CMDI). The overall objective of this framework is to strengthen the resilience of the banking sector and to amend the resolution tools to ensure that bank failures do not endanger financial stability, public funds and depositor confidence. The following elements underpin the current revision of the CMDI framework: 1) clarification and harmonization of the public interest assessment to examine whether the resolution of the particular bank would be necessary or whether insolvency or liquidation procedures would apply, 2) extension of the resolution tools application to small and medium sized banks with the corresponding financing arrangements, in particular through MREL and safety nets funded by the banking sector, 3) deepening harmonisation of the use of national Deposit Guarantee Schemes (DGS) in crisis management and ensuring adequate flexibility to facilitate the exit of failing banks in a way that preserves the value of the bank's assets; 4) a harmonised Least-Cost Test (LCT) to govern the use of DGS funds beyond the payout of insured deposits to ensure consistent, credible and predictable outcomes; The LCT should take due account of the specificities of national banking sectors, including the maintenance of a functioning framework of institutional protection schemes (widely implemented in Germany and Austria); (5) aligning the treatment of DGSs and all depositors under insolvency law, (6) harmonising and clarifying the deposit insurance framework to ensure equal treatment of depositors and to increase their level of protection by removing the existing differences in the application of the Directive across Member States, in particular as regards the scope of deposit protection and the process of payment of compensations. The proposals were discussed in a Council working group. The Spanish Presidency submitted a progress report to COREPER in December 2023. Subsequently, discussions continued under the Belgian Presidency during the first half of 2024 and a general approach of the EU Council was reached in June 2024.

Daisy Chains II
The CMDI package also included a proposal for a directive amending the so called Daisy Chains Regulation regulating indirect subscription chains of the internal minimum requirement for own funds and eligible liabilities. The proposal for the directive was discussed in a fast track process. The mandate of the EU Council for negotiations with the European Parliament was adopted by COREPER in November 2023. The Spanish

[88] Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds, as amended.
[89] Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.

Presidency subsequently managed to conclude a political agreement in December 2023. The Directive was published in the Journal in April 2024[90].

Retail Investment Package (RIP)
In May 2023 the Commission published a proposal for a legislative package on rules for protecting retail investors, the Retail Investment Package (formerly Retail Investment Strategy). The aim of the legislation is to boost European retail consumers' demand for investment services and to make investor protection more effective in an era of digitalisation and commitments to the sustainable development of internal market economies. The package consists of amendments to 5 financial market directives - the UCITS Directive (on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities), Solvency II (on the taking-up and pursuit of the business of Insurance and Reinsurance), AIFMD (on alternative investment fund managers), MiFID II (on markets in financial instruments) and IDD (on insurance distribution). A separate part of the package is the amendment of the PRIIPs-KID Regulation (on the key information provided to retail investors).

The proposed legislation covers various elements of the provision and intermediation of investment services and insurance products with an investment component, in particular the permissible ways of remuneration of intermediaries, product governance (the value for money concept and the use of benchmarks), rules for the conduct of business with investors (information requirements, marketing rules, suitability and appropriateness tests), professional standards for investment distributors, categorisation of investors, supervisory powers or mandatory financial education of investors.

Discussions within the EU Council working party were ongoing since July 2023, with the most important topics being the issue of remuneration of intermediaries and the concept of value for money. The general approach of the EU Council was reached in June 2024.

Sustainable Finance Package
In June 2023, the Commission presented a package of measures that complements the existing EU sustainable finance framework and includes: a Commission Communication on a sustainable finance framework that works on the ground[91]; an Accompanying Commission Staff working document on the enhancing the usability of the EU taxonomy and the overall EU sustainable finance framework[92]; a Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the Sustainable Finance Disclosure Regulation[93]; a Commission Recommendation on facilitating finance for the transition to a sustainable economy[94]; delegated acts related to the EU taxonomy, i.e. amendment of the climate delegated act[95] and the environment delegated act[96]; and a proposal for a regulation on transparency and integrity of Environmental, Social and Governance (ESG) rating[97].

The package aims to strengthen the foundations of the existing framework and support the necessary additional financial flows into sustainable investments. The Communication, Sustainable Finance Framework that works on the ground, places the package of measures in the context of the sustainable finance agenda and describes

90 Directive (EU) 2024/1174 of the European Parliament and of the Council of 11 April 2024 amending Directive 2014/59/EU and Regulation (EU) No 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities.

91 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "A sustainable finance framework that works on the ground".

92 Accompanying Commission Staff Working Document on Enhancing the usability of the EU Taxonomy and the overall EU sustainable finance Framework.

93 Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the Sustainable Finance Disclosure Regulation 2023/C 211/01.

94 Commission Recommendation (EU) 2023/1425 of 27 June 2023 on facilitating finance for the transition to a sustainable economy.

95 Commission Delegated Regulation (EU) 2023/3850 amending Delegated Regulation (EU) 2021/2139 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation and for determining whether those activities cause no significant harm to any of the other environmental objectives. For the purposes of the Council of the EU, the document is numbered 11382/23.

96 Commission Delegated Regulation (EU) 2023/3851 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities. For the purposes of the Council of the EU, the document is numbered 11383/23.

97 Proposal for a Regulation of the European Parliament and of the Council on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities.

the individual elements of the framework and their interaction. The EU Taxonomy Delegated Acts extend the classification system by including additional sectors and economic activities, thus broadening the list of opportunities for environmentally sustainable investments. The proposal for a Regulation on the transparency and integrity of ESG rating activities enhances the transparency of ESG ratings and reduces the risk of misleading practices related to the promotion of sustainability aspects of products and services, in particular greenwashing. This Regulation thus complements the framework with an important instrument for the verification of sustainability information. The Commission Recommendation on facilitating finance for the transition to a sustainable economy illustrates, with practical examples, how businesses, investors, and financial intermediaries can voluntarily use the tools of the sustainable finance framework to accelerate the transition to a climate-neutral and sustainable economy and strengthen competitiveness. The Accompanying Commission Staff Working Document on enhancing the usability of the EU Taxonomy and the overall EU sustainable finance framework provides information on tools to increase the clarity and user-friendliness of the framework.

In July 2023, the Commission also adopted, through a delegated act, a first set of European Sustainability Reporting Standards (ESRS)[98], enabling companies to communicate sustainability information to creditors, investors and other stakeholders in a standardised manner. The first set of ESRS was published in the Journal in December 2023.

Transparency and Integrity of ESG Rating Activities

In June 2023, as part of the Sustainable Finance Package, the Commission adopted a proposal for a regulation on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities. This proposal aims to regulate ESG rating providers through requirements on their organization, rules for authorisation to provide the services and the establishment of a supervisory mechanism, with ESMA acting as the supervisory authority. At the same time, it requires ESG rating providers to use rigorous, systematic, independent and justifiable methodologies, which should be reviewed periodically (at least once a year). The proposal for a regulation also aims to increase the transparency of ESG ratings themselves by requiring the disclosure of a minimum amount of information on methodologies and data sources to the general public and more comprehensive information to the ESG ratings users and the rated companies.

The EU Council's negotiating mandate with the European Parliament was adopted at COREPER's meeting in December 2023. During the subsequent trilogues, a preliminary political agreement on the proposed regulation was reached in February 2024 between the European Parliament and the Council of the EU. This is followed by the work of linguists on the final text and translation of the regulations. The final text of the regulation is expected to be approved by the European Parliament and the EU Council in autumn 2024.

Digital Euro Package

In June 2023, the Commission published a package of legislative proposals aimed at establishing a legal framework for mandatory acceptance of euro cash and the possible adoption of a digital euro that the ECB could issue in the future as a complement to cash. The core of the package consists of the proposal for a regulation on legal tender of euro banknotes and coins and a proposal for a regulation on the establishment of the digital euro. The package also includes a proposal for a regulation on the provision of digital euro services by payment services providers incorporated in Member States whose currency is not the euro. The stated aim of the proposal, which sets the legal framework for a possible digital euro, is to ensure that individuals and businesses have an additional option (besides the current private solutions) that would allow them to pay in a widely accepted, cheap, safe and resilient form of public money in the euro area. The aim is to create an appropriate legal framework, but it will be up to the ECB to decide whether and when to issue a digital euro. The digital euro would be available alongside existing national and international private payment instruments, just as cash is today. People should be able to use it at any time and anywhere in the euro area, including offline payments, which should ensure a high level of privacy and data protection. A digital euro should be distributed to people and businesses across the EU through banks and other payment service providers, with basic services provided free of charge. The proposal also addresses the issue of financial inclusion, where individuals who do not have a bank account should be able to open an account, for example, at a post office or other public body. A digital euro should take the form of legal tender whereby retailers across the euro area, with the exception of very small retailers, should be obliged to accept a digital euro. Since July 2023, discussions at the EU Council working group have been ongoing.

[98] Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards.

Open Finance: Financial Data Access (FIDA)

In June 2023, the Commission published a package containing a proposal for a regulation on the Financial Data Access (FIDA). The FIDA seeks to establish a legal framework regulating the access to and use of customer financial data, without prejudice to strict privacy requirements. The legislation includes a proposal for access to, processing and sharing of financial data between companies and between companies and customers, so that customers can benefit from financial products and services that meet the current needs of theirs and of the market. The regulation is based on the principle of customers' voluntary consent to access their financial data. Thus, according to the Commission, the aim of the FIDA proposal is to support and accelerate the digital transformation by expanding the options for sharing customer data in the financial market. The Commission also envisages that the adoption of the proposed regulation will make it easier for financial market entities to develop accessible personalised products and services that better suit customers' specific needs. Since July 2023, discussions of the EU Council working group have been ongoing.

Payment Services Package (PSD3/PSR)

In June 2023, the Commission published a package of proposals on payment services. The package includes the PSR Regulation and PSD3 Directive. The proposed legislation is the result of a review process of the existing legislation (PSD2), which has been in effect since 2018. The aim is to address the identified weaknesses of the current legal texts. In a follow up to the experience gained so far and the analysis carried out, the Commission now considers it appropriate to give partial priority to the legal form of a regulation. While the Directive deals with licensing procedures, the regulation addresses private law issues such as payment service providers' liability to users, strong authentication or open banking. Since July 2023, discussions at the EU Council working group have been ongoing.

Review of the Benchmarks Regulation (BMR)

In October 2023, the Commission published a proposal for a regulation amending the Benchmarks Regulation (BMR)[99]. The aim of the review is to streamline the authorisation and registration process for indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (also referred to as benchmarks) and to alleviate the burden on EU companies, in particular SMEs. Furthermore, this legislative proposal aims to review the scope of BMR, address its shortcomings and bring targeted improvements to the functioning of the regulation. The negotiations of the proposal in the Council working party started in November 2023. The EU Council's mandate for negotiation with the European Parliament was adopted in December 2023. Trilogues have not yet started and negotiations will not continue until after the new European Parliament is in place in the second half of 2024.

Information Sharing and Disclosure by Supervisory Authorities

In October 2023, the Commission issued a proposal for a regulation amending the existing regulation on the European Systemic Risk Board (ESRB) and the regulation on the European Supervisory Authorities (ESAs – EBA, ESMA and EIOPA) and a regulation establishing the InvestEU programme. The proposal aims at streamlining reporting requirements and reducing administrative burden. The proposal should facilitate the exchange of information between supervisory authorities in order to avoid duplication of reporting requirements in a situation where several authorities have power to collect certain data from financial institutions at the same time, and it is not legally established to enable them to share information among themselves. According to the proposal, the Commission should also have more access to the data. The sharing of information with those with a legitimate interest will then be allowed under strict conditions also for research and innovation purposes. The proposal also changes the frequency (from semi-annual to annual) for reporting to the Commission under InvestEU in order to reduce the workload and administrative burden. The discussion of the legislative proposal in the EU Council working party started in February 2024. The general approach of the EU Council was reached in June 2024.

9.4 National Financial Market Legislation

Capital Market Developments and Changes to Pillar III

In connection with the Government's adoption of the National Strategy for the Development of the Capital Market in the Czech Republic for the period of 2019-2023 in March 2019, work started on an amendment that would implement legislative measures resulting from the Strategy in the legal system. In 2023, the legislative

[99] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014, as amended.

process of the bill amending certain laws in connection with the development of the financial market and the support of the savings for retirement (registered in the previous parliamentary term as the Parliamentary document No 993) was completed, this time without an amendment to the Management Companies and Investment Funds Act, but with other areas added, particularly in the field of pension funds. The draft bill aimed in particular at introducing 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 generally refers to already existing products on the financial market that create savings for retirement and should be an alternative to existing financial products offering tax-assisted retirement savings, such as pension funds and life insurance. In addition, the law also introduced tax support for long-term care insurance, which, although it is not a product of savings for retirement, it has the same tax support.

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 funds, and to offer participants potentially higher returns, albeit accompanied by the higher risk attached to this investment.

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 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 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 the Supplementary Pension Savings Act the measures have been implemented to allow for greater mobility between transformed funds and participation funds, where it is possible to remain a participant in a transformed fund and at the same time become a participant in a participation fund (however, it is not possible to pay contributions to both types of funds at the same time). The amount of the state contribution has also been revised according to the amount of the participant’s contribution, and the state contribution is newly provided for the participant’s contributions from CZK 500 to CZK 1,700 (until 1 July 2024 it was CZK 300 to CZK 1,000). The state contribution is now 20% of the participant’s contribution (until 1 July 2024 it was 20% + CZK 30). Persons receiving a retirement pension are not entitled to the state contribution as of 1 July 2024.

The draft bill (Parliamentary document No 474) was approved by the Chamber of Deputies in November 2023 and subsequently by the Senate in December 2023 (Senate document No 510). The law was published as Act No 462/2023 and was set to take effect on of 1 January 2024, with the exception of selected provisions effective as of 1 July 2024, 1 September 2024 and 1 February 2025.

Key Information for Investors

In 2023, the legislative process of the amendment to the Act on Management Companies and Investment Funds was completed, which merely concerned the transposition of an amendment to the UCITS Directive[100]. The amendment is intended to prevent the duplication of key information provided to investors in collective investment funds. The amendment was published as Act No 106/2023 and was set to take effect on 1 May 2023.

Management Companies and Investment Funds

In 2023, the legislative process has been initiated on the draft bill amending the Act on Management Companies and Investment Funds, and other related laws. It responds to the findings of the interpretation and application practice in the field of fund financing and follows the National Strategy for the Development of the Capital Market in the Czech Republic 2019–2023. The main proposed measures include the regulation of so-called unlicensed managers, also referred to as "under-limit funds", "mini-funds" or "fifteeners" according to the section number that regulates them. These are legal entities that can perform an activity comparable to the asset management without being subject to extensive regulation by law or to supervision by the CNB. Experience has shown that it is advisable to limit investments through these entities, as retail investors mistakenly believe that these are relatively safe investments. The proposal therefore increases the obligation to provide

[100] Directive (EU) 2021/2261 of the European Parliament and of the Council of 15 December 2021 amending Directive 2009/65/EC as regards the use of key information notices by management companies of undertakings for collective investment in transferable securities (UCITS).

information to investors, explicitly sets a minimum investment amount for each investor at EUR 125,000 and introduces the sanctioning deletion of unlicensed managers from the list maintained by the CNB. The proposal also allows the limited liability company with investment certificates and the closed-end joint-stock company (which are investment funds) to create sub-funds, which should help with increasing the attractiveness of these legal forms. The transfer of the assets of a management company to a unit fund is also expressly provided for as one of the possible ways of converting to a unit fund. Furthermore, certain administrative fees are adjusted to reflect the costs associated with the corresponding administrative procedures. The proposal also narrows the scope of assets that must be held in custody by the depositary, merges the lists of foreign investment funds maintained by the CNB, unifies deadlines for certain licensing procedures and clarifies the procedural aspects of the liquidation of a unit fund. The proposal was approved by the Chamber of Deputies (Parliamentary document No 570) in April 2024 and subsequently by the Senate in May 2024 (Senate document No 258). The law was published as Act No 163/2024 and was set to take effect on 1 July 2024.

Gender Balance in the Management of Listed Companies

In summer of 2023, legislative work began on the draft bill transposing the Directive on improving the gender balance among directors of listed companies[101], which, though being drafted by the Office of the Government, in most of the amendments are relevant to the capital market law. The aim of the forthcoming amendments is to promote a more balanced representation of men and women in the high management positions of the largest listed companies. The new regulation is expected to enter into force on 28 December 2024, when the transposition deadline expires. The proposal was approved by the Government in June 2024 and referred to the Chamber of Deputies for discussion (Parliamentary document No 731).

Pilot Regime for Market Infrastructures Based on Distributed Ledger Technology

The legislative process of the draft bill amending the Capital Market Business Act and the Insurance Act was completed in 2023.[102] Among others, the bill adapts the Czech law to the regulation on the pilot regime for market infrastructures based on distributed ledger technology (DLT). The Act also amends the definition of an investment instrument and makes it clear that instruments based on DLT are also investment instruments. The pilot regime regulation then introduces three specific licensing regimes for market infrastructures using DLT technology, namely: a) a multilateral trading facility (DLT MTF), b) a settlement system (DLT settlement system), c) a trading settlement system (DLT trading settlement system). The adaptation was carried out in a minimalist form. The Czech legal order has therefore not changed by more than was required by EU law. The bill took effect on 4 November 2023.

Motor Third-Party Liability Insurance

The work on a bill on motor third-party liability insurance and a bill amending certain laws in connection with the adoption of the Act on Motor Third-Party Liability Insurance has continued in 2023. 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 proposals were approved by the Chamber of Deputies in December 2023 (Parliamentary documents No 517 and No 518) and subsequently by the Senate in January 2024 (Senate documents No 209 and No 210). The Acts were published as No 30/2024 and No 31/2024, and are effective as of 1 April 2024, with the exception of selected provisions which are effective as of 1 October 2024 (respectively 23 April 2024). At the same time, Decree No 69/2024 of the Ministry of Finance on the implementation of the Acton Motor Third Party Liability Insurance was published, with most of its provisions entering into force on 1 April 2024.

Daisy Chains I

In 2023, the legislative process for the draft amendment to Act on Recovery and Resolution in the Financial Market[103] was underway. This is a technical amendment implementing an EU regulation that regulates the prudential approach to global systemically important institutions and the methods of indirect issuance of eligible

---

[101] Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on improving the gender balance among directors of listed companies and related measures.

[102] Act No 324/2023, amending Act No 256/2004, on Capital Market Undertakings, as amended, and Act No 277/2009, on Insurance, as amended.

[103] Act No 374/2015 Coll., on Recovery and Crisis Resolution Procedures in the Financial Market, as amended.

instruments to meet the minimum capital and eligible liabilities requirement. The bill was approved by the Chamber of Deputies in October 2023 (Parliamentary document No 435) and by the Senate in December 2023 (Senate document No 174). The law was published as Act No 425/2023 and took effect on 30 December 2023.

Non-performing Loan Market

In 2023, the legislative process was ongoing concerning draft bill of the Act on Non-Performing Loan (NPL) Market and the draft bill amending certain laws in relation to the adoption of the NPL Market Act. This Act implements the NPL Directive, which aims to create a single European market for a portfolio of bank loans that are classified as non-performing, meaning that they have not been repaid for a certain period of time or are in some way at risk of being repaid. The draft covers public law regulation of the management of NPLs, which have so far been subject only to general civil law regulation. It creates new entities in the financial market, namely the credit trader and the NPL manager. The NPL managers must obtain authorisation from the CNB. In contrast, the activity of a credit trader does not require specific authorisation from the CNB, but is nevertheless supervised by the CNB. A credit trader is a person to whom NPLs are transferred in the course of the business. The draft also regulates the cross-border management of NPLs within the European single market and the rules for dealing with the debtor. The draft bill also includes a regulation of the CNB’s supervisory powers.

The accompanying amending law, which is only transposing and does not change the Czech law more than is required by EU law, transposes the NPL Directive. The Code of Civil Procedure has been amended to ensure the protection of the funds entrusted to the administrator of NPLs. The Act on Banks and the Act on Credit Unions have been amended so that the activities of credit institutions also cover the management of NPLs. The Administrative Fees Act defines an administrative fee for the receipt of an application for authorisation as a NPL manager. The Consumer Credit Act newly allows a non-bank consumer credit provider to perform the administration of NPLs and has introduced additional rules following the revision of the MCD and CCD1 Directives by the NPL Directive (more details below). The Act on Payments specifies the transposition of the Second Payment Services Directive into Czech law. The draft bills were approved by the Chamber of Deputies in January 2024 (Parliamentary documents No 472 and No 473) and subsequently by the Senate in March 2024 (Senate documents No 219 and No 220). The laws were published as Acts No 84/2024 and No 85/2024, and took effect on 1 May 2024.

Consumer Credit

Regulation of early repayments of the consumer credits for housing was amended within the framework of acts in connection with the development of the financial market and with the old age security support. The aim of the amendment was to strengthen the balance of the regulation of the early repayment of mortgage credits during the fixation period and to establish the method of determining the amount of costs effectively incurred by the provider in connection with the early repayment of these credits. The range of situations to which the law associates with the right to repay a credit early free of charge (newly in the event of the sale of the property associated with the mortgage credit or in the event of the settlement of the matrimonial property) was expanded, while the right of the provider to a limited compensation for costs effectively incurred in connection with interest losses was established. The new rules on early repayment will take effect from 1 September 2024 and will apply to newly granted credits for housing from the date the amendment takes the effect, and also for the existing credits with a fixed interest rate, provided the early repayment occurs during the fixation period starting after the date the amendment comes into effects (i.e. it applies for the fixation periods starting from 2 September 2024).

The Consumer Credit Act has been amended in connection with the Act on Non-Performing Loan Market. A non-bank consumer credit provider will be able to carry out the administration of NPLs under the Act on NPL Market as a part of the business licence. Furthermore, the information obligation of the creditor when amending a consumer credit agreement is supplemented and, under the rules for dealing with defaulting borrowers, the creditor will have to introduce procedures for applying so-called forbearance measures (e.g. extension of the duration of the loan, deferment of repayment, reduction of the interest rate or change of the loan currency).

Digitalisation of the Financial Market

In 2023, work was ongoing on a draft law on the implementation of EU regulations in the area of financial market digitalisation (Financial Market Digitalisation Act), which contains provisions implementing the DORA and MiCA regulations. The DORA Regulation lays down uniform rules on digital operational resilience for the financial sector that were fragmented across individual sectoral regulations. The DORA Regulation is accompanied by a sector-specific directive, which is transposed in the amending bill. The MiCA Regulation is the first comprehensive regulation governing the offering of crypto-assets to the public and the provision of crypto-asset services. Crypto-asset service providers will now be a licensed entity.

The draft bill contains mainly the regulation of offences and the powers of the CNB as a supervisory authority. Some other provisions react to the MiCA Regulation and aim at a smooth application of the Regulation in the Czech Republic, such as a specific regime for the reserve of assets pertaining to the issuers of asset-linked tokens or electronic money tokens. Along with this draft bill, a draft bill amending certain laws in connection with the implementation of EU regulations in the field of financial market digitalisation and sustainability financing has been prepared, which contains further amendments to laws related to these two regulations and the implementation of the European green bond regulation. The government approved the draft bills in April 2024 and submitted them to the Chamber of Deputies (Parliamentary documents No 692 and No 694).

Building Savings

The so-called Consolidation Package[104], adopted by the Czech government in 2023, also included an amendment to the Act on Building Savings and State Support for Building Savings, reducing the maximum amount of state contribution from CZK 2 000 to CZK 1 000 per year. Futhermore, on the basis of a memorandum concluded between the Ministry of Finance, the Ministry of the Environment and the Association of Czech Building Savings Banks, modifications were made to the Act to enable the acceleration of the energy transformation of Czech households and to make the use of subsidy programmes for energy saving in family and residential buildings more efficient through the existing infrastructure of building savings banks, including the involvement of resources drawn by the Czech Republic from the EU.

9.5 Non-Legislative Financial Market Activities

Financial Education

The National Strategy for Financial Education 2.0, approved by the Government in 2020, sets out the general direction for financial education in the Czech Republic. The Financial Education Working Group is involved in the implementation of the tasks arising from the Strategy. The members of the working group are representatives of the public sector, professional associations operating on the financial market, entities that implement financial education projects (non-profit organisations, consumer associations and debt advisory services), academia and education experts. The MoF manages activities of this group and its sub-groups, as well as fulfils other obligations from Strategy such as running the National Financial Education Projects Register, periodically measuring financial literacy among the adult population and coordinating the financial education event Global Money Week.

"Why Financially Educate Yourself?" Portal

The MoF runs the financial literacy portal "Financial Literacy or Why Financially Educate Yourself?" available at financnigramotnost.mfcr.cz, which is designed for both the general public and professionals. The website covers topics such as family finances, including how to set-up a household budget; the structure, institutions and products of the financial market; the contact details of consumer and debt advisory services, which provide free assistance in a difficult life situation, dispute resolution, advice and guidance, mainly focused on over-indebtedness, debt repayment and links to useful websites with projects, games and calculators in the Czech Republic and abroad. The MoF also regularly posts about its legislative and non-legislative activities in the field of consumer protection and financial education, as well as about the latest developments in related European legislation.

Capital Guide Portal

The MoF manages the "Capital Guide" information portal available at www.kapitalovypruvodce.cz, which is designed for SMEs and informs them about the possibilities 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 3 thematic workshops was organised, the recording of which (including the workshops) is available on the YouTube channel "Kapitálový průvodce" (Capital Guide), where other videos from the website are also available. Subsequently, a News section was launched, which has been added in May 2018. The portal gathers practical information on the functioning of the capital market and contacts of economic and legal advisors in one place. The website also includes a short evaluating quiz to determine the most appropriate way to finance a company. The website is regularly updated and the contacts are checked for relevance , also taking into account public feedback. The information portal is operated in both Czech and English (videos have English subtitles).

[104] Act No 349/2023 Coll., amending certain acts in connection with the consolidation of public budgets.

Exam Sets for the Professional Examination of Distributors of Financial Products
The MoF, in cooperation with the CNB, provides and updates exam sets for sectoral professional competence examinations that are organised by accredited persons for distributors of financial services. Updates of the exam sets are carried out on an ongoing basis, following identified suggestions and in close cooperation with sectoral professional associations. In 2023 a significant update of the exam sets aimed at distributors operating under the Insurance Distribution and Reinsurance Act was initiated in response to the amendment of the legislation on motor third party liability insurance.

Innovation in the Financial Market
Since March 2021, the MoF has continued to publish the Innovation Bulletin on its website, which highlights current developments in the area of innovation on the financial market, both in the Czech Republic and abroad. In addition, the MoF informs about upcoming organised webinars, to current developments in the field of financial innovation and to the development of regulation in the field of the digital economy with implications for the financial market. At the same time, a significant modification of the digital regulatory sandbox, which is being prepared in cooperation with the CzechInvest agency, has been made in cooperation with the Ministry of Industry and Trade and is expected to be operational in the second half of 2024.

Seminar on Markets in Crypto-assets Regulation
In October 2023, the Czech Cryptocurrency Association and the Ministry of Finance organised an introductory expert seminar on the Markets in Crypto-Assets Regulation (MiCA) for market representatives and the professional public. A representative of the CNB also spoke at the seminar.

Translation of Selected Laws into English
In January 2023, updated English translations of capital market laws were published following the amendment of Act No. 96/2022 Coll., Capital Market Business Act, Act on Management Companies and Investment Funds, Act on Bonds, Act on Capital Market Supervision and Decree on Investment of Investment Funds. In June 2023, a translation of the amendment law related to the development of the financial market and with the support of old-age insurance was published in a version approved by the Government and sent to the Chamber of Deputies. These translations can be found at www.mfcr.cz/en/regulation-and-taxes/capital-market/capital-market-in-the-czech-republic.

Ministry of Finance´s Platforms on Sustainable Finance
In July 2023, the MoF established Platforms on Sustainable finance to discuss key topics with both the public and private sectors, share important information and documents, and ensure feedback that will contribute to the effective implementation of the sustainable finance and ESG concept in Czech Republic. The business sector, in particular, will face challenges in the coming years related to the obligation to report sustainability information, including information according to the EU taxonomy. However, at the same time, the volume of data will increase for, among others, financial market participants who rely on this data to meet their own reporting obligations and who are the primary providers of private capital. Therefore, dialogue with representatives from the business and financial sector is crucial to identify specific barriers and obstacles. Overcoming and addressing these barriers and obstacles will require critical cooperation across various ministries and other government institutions (e.g. interpretation of the EU taxonomy). Although the concept of sustainability finance was primarily developed to harmonise rules for the private sector, it also offers significant potential for the public sector. The various elements of the EU Sustainable Finance Framework, especially the EU taxonomy and its associated financial instruments, can significantly accelerate the decarbonisation of the Czech economy.

Sustainable Finance Framework in the Czech Republic
The MoF is the primary beneficiary of the "Sustainable Finance Policy Options" project, funded by the EU through the Technical Support Instrument (TSI). This project started in October 2023 and is expected to conclude within 18 months. The aim of the project is to mobilise the Czech public and private sector towards the use of sustainable finance instruments and to prepare high quality supporting materials for the public administration based on good international practices and feedback from relevant stakeholders. The project's outcomes will include, among other things, an analysis of specific market practices to identify tools, services, financial instruments and policy measures that lead to the successful expansion of sustainable finance concept. Additionally, the project aims to map the practices of the Czech financial market in the field of sustainable finance. The project also includes awareness workshops for representatives of the private sector, public administration and local governments, which actively contributing to the capacity-building process in the field of sustainable finance. The project is also expected to contribute to the creation of a coherent and effective national sustainable finance ecosystem.

LIST OF TABLES

LIST OF GRAPHS

LIST OF SCHEMES

LIST OF ACRONYMS AND ABBREVIATIONS

Abs.	absolute
AIFMD	Alternative Investment Fund Managers Directive
AKAT	Czech Capital Market Association (Asociace pro kapitálový trh ČR)
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
APRC	Annual Percentage Rate of Charge
APS CR	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
BMR	Benchmarks Regulation Review
bn	billion
BoE	Bank of England
BoJ	Bank of Japan
BSB	building savings bank
BSC	building savings contract
BUX	Budapest Stock Exchange Index
CCP	central counterparty
CCyB	countercyclical capital buffer
CEGBPI	Commission Expert Group on Banking, Payments and Insurance
CFM	Committee for Financial Markets OECD
CHF	Swiss franc – International currency code
CMDI	Crisis Management and Deposit Insurance
CMU	Capital Markets Union
CNB	Czech National Bank
CNY	Chinese yuan – International currency code
COMPET	Competitiveness Council
COREPER	Comité des Représentants Permanents
CPI	consumer price index
CR	Czech Republic
CRD	Capital Requirements Directive
CRF	Crisis Resolution Fund
CRR	Capital Requirements Regulation
CSDP	Central Securities Depository Prague
CSDR	Central Securities Depositories Regulation
CVA	credit valuation adjustment
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)
DGS	Deposit Guarantee Scheme
DIF	Deposit Insurance Fund
DLT	distributed ledger technology
DLT MTF	distributed ledger technology multilateral trading facility
DMFS	Distance Marketing in Financial Services
DMFSD	Distance Marketing of Financial Services Directive
DORA	Digital Operational Resilience Act
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
EFRAG	European Financial Reporting Advisory Group
EGESC	Expert Group of the European Securities Committee
EGFD	Experts Group on Finance and Digitalisation
EGNPL	Expert Group on non-performing loans
EIOPA	European Insurance and Occupational Pensions Authority
ELTIF	European Long-Term Investment Funds
EMIR	European Market Infrastructure Regulation
ESAs	European supervisory authorities
ESAP	European Single Access Point
ESC	European Securities Committee
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ESRS	European Sustainability Reporting Standards
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
Eurostat	Statistical office of the European Union
FA	Financial Arbitrator
Fed	Federal Reserve System
FEWG	Financial Education Working Group
FIDA	Financial Data Access Regulation
FMGS	Financial Market Guarantee System (Garanční systém finančního trhu)
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
G10	Group of Ten (group of countries that agreed to participate in the General Arrangements to Borrow, an agreement to provide the International Monetary Fund with additional funds to increase its lending ability)
G20	Group of Twenty (group of the world's biggest economies)
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
G-SIB	global systemically important bank
HUF	Hungarian forint – International currency code
IBAN	International Bank Account Number
ICF	Investor Compensation Fund (Garanční fond obchodníků s cennými papíry)
IDD	Insurance Distribution Directive
IFR	Interchange Fee Regulation
IFRS 17	International Financial Reporting Standard for insurance contracts
IMF	International Monetary Fund
INFE	International Network on Financial Education
IOPS	International Organisation of Pension Supervisors
IORP	Institutions for Occupational Retirement Provision
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
LCT	Least-Cost Test

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
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
MSEGSF	Member States expert group on sustainable finance
NBFI	non-bank financial intermediation
NBP	National Bank of Poland
Nikkei 225	Japanese Nikkei 225 Stock Average
NPLs	non-performing loans
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
OTC	over-the-counter
p. a.	per annum
PAD	Payment Account Directive
pcs	pieces
PF	participation fund
PLN	Polish złoty – International currency code
pp	percentage point
PRIBOR	Prague Inter-bank Offered Rate
PRIIPs-KID	Regulation on Key Information Documents for Packaged Retail and Insurance-based Investment Products
PSD	Payment Service Directive
PSE	Prague Stock Exchange
PSR	Payment Services Regulation
PX	Primary PSE index
PX-GLOB	PSE index with wide base
PX-TR	PSE Total Return Index
RCG	Regional Consultative Group (Financial Stability Board)
RM-S	RM-SYSTÉM, česká burza cenných papírů a.s. (Czech stock exchange)
S&P 500	Standard and Poor's 500
SAX	Slovak Share Index (Slovenský akciový index)
SEPA	Single Euro Payments Area
SME	small or medium-sized enterprise
SRMR	Single Resolution Mechanism Regulation
SSE Index	Shanghai Stock Exchange Composite Index
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.
UCITS	Undertakings for Collective Investment in Transferable Securities
UK	United Kingdom
US	United States
USD	United States dollar – International currency code
WG	working group
WIG	Warsaw Stock Exchange (Warszawski Indeks Giełdowy)
WP	working party
WPPP	Working Party on Private Pensions
WTO	World Trade Organization
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 2023:

A1.1 Cross-Sectoral Financial Market Regulations

1) European legislation and other initiatives published in 2023:

- Regulation (EU) 2023/2845 of the European Parliament and of the Council of 13 December 2023 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 and amending Regulation (EU) No 236/2012;
- Regulation (EU) 2023/2859 of the European Parliament and of the Council of 13 December 2023 establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability;
- Regulation (EU) 2023/2869 of the European Parliament and of the Council of 13 December 2023 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;
- Directive (EU) 2023/2225 of the European parliament and of the Council of 18 October 2023 on credit agreements for consumers and repealing Directive 2008/48/EC;
- Directive (EU) 2023/2673 of the European parliament and of the Council of 22 November 2023 amending Directive 2011/83/EU as regards financial services contracts concluded at a distance and repealing Directive 2002/65/EC;
- Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023 amending certain Directives as regards the establishment and functioning of the European single access point.

2) Pending European legislation (including legislation published after 31 December 2023) and other initiatives of the European Commission:

- Proposal for a Regulation of the European Parliament and of the Council on a framework for Financial Data Access and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010, (EU) 1095/2010 and (EU) 2022/2554;
- Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1286/2014 as regards the modernisation of the key information document;
- Proposal for a Regulation of the European Parliament and of the Council repealing Regulation (EU) No 524/2013 and amending Regulations (EU) 2017/2394 and (EU) 2018/1724 with regards to the discontinuation of the European ODR Platform;
- Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 1092/2010, (EU) No 1093/2010, (EU) No 1094/2010, (EU) No 1095/2010 and (EU) 2021/523 as regards certain reporting requirements in the fields of financial services and investment support;
- Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 806/2014 as regards early intervention measures, conditions for resolution and funding of resolution action;
- Directive (EU) 2024/1174 of the European Parliament and of the Council of 11 April 2024 amending Directive 2014/59/EU and Regulation (EU) No 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities;
- Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937;
- Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2009/65/EC, 2009/138/EC, 2011/61/EU, 2014/65/EU and (EU) 2016/97 as regards the Union retail investor protection rules;
- Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/11/EU on alternative dispute resolution for consumer disputes, as well as Directives (EU) 2015/2302, (EU) 2019/2161 and (EU) 2020/1828;

- Proposal for a Directive of the European Parliament and of the Council amending Directive 2014/59/EU as regards early intervention measures, conditions for resolution and financing of resolution action;
- 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 2023:

- Act No 425/2023 Coll. amending Act No 374/2015 Coll., on recovery and resolution in the financial market, as amended (in effect as of 30 December 2023).

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2023):

- Act No 462/2023 Coll. amending some acts in connection with the development of the financial market and with the old age security support (in effect as of 1 January 2024, 1 April 2024, 1 September 2024 and 1 January 2025).

5) Secondary legislation:

- none

A1.2 Capital Market Legislation

1) European legislation and other initiatives published in 2023:

- 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;
- Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds;
- 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;
- Commission Delegated Regulation (EU) 2023/944 of 17 January 2023 amending and correcting the regulatory technical standards laid down in Delegated Regulation (EU) 2017/587 as regards certain transparency requirements applicable to transactions in equity instruments;
- Commission Delegated Regulation (EU) 2023/945 of 17 January 2023 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2017/583 as regards certain transparency requirements applicable to transactions in non-equity instruments;
- Commission Delegated Regulation (EU) 2023/960 of 1 February 2023 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2017/588 as regards the annual application date of the calculations of the average daily number of transactions for shares, depository receipts and exchange-traded funds for the purposes of the tick sizes;
- Commission Delegated Regulation (EU) 2023/1117 of 12 January 2023 supplementing Directive (EU) 2019/2034 of the European Parliament and of the Council with regard to regulatory technical standards specifying requirements for the type and nature of the information to be exchanged by competent authorities of home and host Member States;
- Commission Delegated Regulation (EU) 2023/1118 of 12 January 2023 supplementing Directive (EU) 2019/2034 of the European Parliament and of the Council with regard to regulatory technical standards specifying the conditions under which colleges of supervisors exercise their tasks;
- Commission Delegated Regulation (EU) 2023/1651 of 17 May 2023 supplementing Directive (EU) 2019/2034 of the European Parliament and of the Council with regard to regulatory technical standards for the specific liquidity measurement of investment firms under Article 42(6) of that Directive;
- Commission Delegated Regulation (EU) 2023/1668 of 25 May 2023 supplementing Directive (EU) 2019/2034 of the European Parliament and of the Council with regard to regulatory technical

standards specifying the measurement of risks or elements of risks not covered or not sufficiently covered by the own funds requirements set out in Parts Three and Four of Regulation (EU) 2019/2033 of the European Parliament and of the Council and the indicative qualitative metrics for the amounts of additional own funds;

- Commission Delegated Regulation (EU) 2023/2175 of 7 July 2023 on supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards specifying in greater detail the risk retention requirements for originators, sponsors, original lenders, and servicers;
- Commission Delegated Regulation (EU) 2023/2222 of 14 July 2023 extending the transitional period laid down for third-country benchmarks in Article 51(5) of Regulation (EU) 2016/1011;
- Commission Implementing Regulation (EU) 2023/1119 of 12 January 2023 laying down implementing technical standards for the application of Directive (EU) 2019/2034 of the European Parliament and of the Council with regard to standard forms, templates and procedures for the information sharing between the competent authorities of home and host Member States;
- Commission Implementing Regulation (EU) 2023/2526 of 17 November 2023 amending the implementing technical standards laid down in Implementing Regulation (EU) 2022/389 as regards the content lists of the information on individual data to be disclosed by competent authorities.

2) Pending European legislation (including legislation published after 31 December 2023) and other initiatives of the European Commission:

- Regulation (EU) 2024/791 of the European Parliament and of the Council of 28 February 2024 amending Regulation (EU) No 600/2014 as regards enhancing data transparency, removing obstacles to the emergence of consolidated tapes, optimising the trading obligations and prohibiting receiving payment for order flow;
- 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;
- Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2016/1011 as regards the scope of the rules for benchmarks, the use in the Union of benchmarks provided by an administrator located in a third country, and certain reporting requirements;
- Directive (EU) 2024/790 of the European Parliament and of the Council of 28 February 2024 amending Directive 2014/65/EU on markets in financial instruments;
- Directive (EU) 2024/927 of the European Parliament and of the Council of 13 March 2024 amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, the 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;
- Commission Delegated Regulation (EU) 2024/911 of 15 December 2023 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to regulatory technical standards specifying the information to be notified in relation to the cross-border activities of management companies and undertakings for collective investment in transferable securities (UCITS);
- Commission Delegated Regulation (EU) 2024/912 of 15 December 2023 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to regulatory technical

standards specifying the information to be notified in relation to the cross-border activities of managers of alternative investment funds;
- Proposal for Commission Delegated Regulation amending Delegated Regulation (EU) 2022/805 as regards harmonisation of certain aspects of supervisory fees charged by the European Securities and Markets Authority to certain benchmark administrators.

3) Acts that took effect in 2023:
- none

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2023):
- Act No 163/2024 Coll., amending Act No 240/2013 Coll., on management companies and investment funds, as amended, and other related laws (in effect as of 1 July 2024).

5) Secondary legislation:
- Decree No 252/2022 Coll., amending Decree No 2/2019 Coll., on records of covered blocks (in effect as of 1 January 2023).

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

1) European legislation and other initiatives published in 2023:
- Commission Delegated Regulation (EU) 2023/206 of 5 October 2022 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the types of factors to be taken into account when assessing the appropriateness of risk weights for exposures secured by real estate and the conditions to be taken into account when assessing the appropriateness of minimum default loss rates for exposures secured by real estate;
- Commission Delegated Regulation (EU) 2023/511 of 24 November 2022 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council as regards regulatory technical standards for the calculation of risk-weighted exposure amounts of collective investment undertakings under the mandate-based approach;
- Commission Delegated Regulation (EU) 2023/827 of 11 October 2022 setting regulatory technical standards amending Delegated Regulation (EU) No 241/2014 as regards prior authorisation for capital reduction and requirements relating to eligible commitment instruments;
- Commission Delegated Regulation (EU) 2023/1577 of 20 April 2023 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council as regards regulatory technical standards for the calculation of market risk capital requirements for positions in the investment portfolio exposed to currency or commodity risk and for the treatment of those positions for the purposes of regulatory back testing requirements and the requirement to attribute gains and losses under the alternative internal models approach;
- Commission Delegated Regulation (EU) 2023/1578 of 20 April 2023 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council as regards regulatory technical standards specifying requirements for internal methodology or external sources used in internal default risk models to estimate default probabilities and default loss rates;
- Commission Implementing Regulation (EU) 2023/313 of 15 December 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2016/2070 as regards benchmark portfolios, reporting templates and reporting guidelines to be used for reporting under Article 78(2) of Directive 2013/36/EU of the European Parliament and of the Council;
- Commission Implementing Regulation (EU) 2023/1718 of 8 September 2023 amending the implementing technical standards laid down in Implementing Regulation (EU) 2015/2197 as regards highly correlated currencies, in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council;
- Decision of the EEA Joint Committee No 214/2022 of 8 July 2022 amending the Annex IX (Financial services) to the EEA Agreement [2023/631];
- Decision of the EEA Joint Committee No 215/2022 of 8 July 2022 amending the Annex IX (Financial services) to the EEA Agreement [2023/632];
- Decision of the EEA Joint Committee No 216/2022 of 8 July 2022 amending the Annex IX (Financial services) to the EEA Agreement [2023/633];

- Decision of the EEA Joint Committee No 325/2022 of 8 July 2022 amending the Annex IX (Financial services) to the EEA Agreement [2023/1267];
- Decision of the EEA Joint Committee No 326/2022 of 8 July 2022 amending the Annex IX (Financial services) to the EEA Agreement [2023/1268].

2) Pending European legislation (including legislation published after 31 December 2023) and other initiatives of the European Commission:

- Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor;
- Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 806/2014 in order to establish a European Deposit Insurance Scheme;
- Proposal for a Commission Delegated Regulation 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 designation of shadow banking entities under Article 394(2) of Regulation (EU) No 575/2013;
- Proposal for a Commission Delegated Regulation (EU) supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the calculation of the stress scenario risk indicator;
- Proposal for a Commission Delegated Regulation supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying a standardised methodology and a simplified standardised methodology for assessing the risks arising from potential changes in interest rates affecting both the economic value of equity and the net interest income of an institution’s investment portfolio;
- Proposal for a Commission Delegated Regulation supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying supervisory shock scenarios, common modelling and parametric assumptions and what constitutes a large downturn;
- Proposal for a Commission Delegated Regulation (EU) supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying under which circumstances the conditions for the identification of economically connected groups of clients are met;
- Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks;
- Proposal for a Directive of the European Parliament and of the Council amending Directive 2014/49/EU as regards the scope of deposit protection, the use of DGS funds, cross-border cooperation and transparency.

3) Acts that took effect in 2023:

- Act No 471/2022 Coll., amending Act No 12/2020 Coll., on the right to digital services and amending 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 laws 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).

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2023):

- Act No 349/2023 Coll., amending certain acts in connection with the consolidation of public budgets (in effect as of 1 January 2024).

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);
- Decree No 56/2023 Coll., amending Decree No. 355/2020 Coll., on applications and certain information pursuant to the Act on Banks and the Act on Savings and Credit Cooperatives (in effect as of 1 April 2023).

A1.4 Payment Services and Market Infrastructure Legislation

1) European legislation and other initiatives published in 2023:

- Regulation (EU) 2023/1113 of the European Parliament and of the Council of 31 May 2023 on information accompanying transfers of funds and certain crypto-assets and amending Directive (EU) 2015/849;
- Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 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;
- Regulation (EU) 2023/2845 of the European Parliament and of the Council of 13 December 2023 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 and amending Regulation (EU) No 236/2012;
- 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;
- Commission Delegated Regulation (EU) 2023/840 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 methodology for calculation and maintenance of the additional amount of pre-funded dedicated own resources to be used in accordance with Article 9(14) of that Regulation;
- Commission Delegated Regulation (EU) 2023/1192 of 14 March 2023 supplementing Regulation (EU) 2021/23 of the European Parliament and of the Council with regard to regulatory technical standards specifying the content of the written arrangements and procedures for the functioning of the resolution colleges;
- Commission Delegated Regulation (EU) 2023/1193 of 14 March 2023 supplementing Regulation (EU) 2021/23 of the European Parliament and of the Council with regard to regulatory technical standards specifying the contents of the resolution plan;
- Commission Delegated Regulation (EU) 2023/1615 of 3 May 2023 supplementing Regulation (EU) 2021/23 of the European Parliament and of the Council with regard to regulatory technical standards specifying the conditions under which compensation, cash equivalent of such compensation or any proceeds that are due pursuant to Article 63(1) of that Regulation are to be passed on to clients and indirect clients and the conditions under which passing on is to be considered proportionate;
- Commission Delegated Regulation (EU) 2023/1616 of 3 May 2023 supplementing Regulation (EU) 2021/23 of the European Parliament and of the Council with regard to regulatory technical standards specifying the circumstances in which a person is deemed to be independent from the resolution authority and from the central counterparty, the methodology for assessing the value of assets and liabilities of a central counterparty, the separation of the valuations, the methodology for calculating the buffer for additional losses to be included in provisional valuations, and the methodology for carrying out the valuation for the application of the 'no creditor worse off' principle;
- Commission Delegated Regulation (EU) 2023/1626 of 19 April 2023 on amending the regulatory technical standards laid down in Delegated Regulation (EU) 2018/1229 as regards the penalty mechanism for settlement fails relating to cleared transactions submitted by CCPs for settlement;
- Commission Delegated Regulation (EU) 2023/1650 of 15 May 2023 correcting the Swedish language version of Delegated Regulation (EU) 2018/389 supplementing Directive (EU) 2015/2366 of the

European Parliament and of the Council with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication;
- Commission Implementing Regulation (EU) 2023/2083 of 26 September 2023 laying down implementing technical standards for the application of Article 16(1) of Directive (EU) 2021/2167of the European Parliament and of the Council with regard to the templates to be used by credit institutions for the provision to buyers of information on their credit exposures in the banking book;
- Decision Of The EEA Joint Committee No 261/2019 of 25 October 2019 amending Annex IX (Financial Services) to the EEA Agreement [2023/84];
- Decision of the EEA Joint Committee No 271/2019 of 31 October 2019 amending Annex IX (Financial Services) to the EEA Agreement [2023/94];
- Decision of the EEA Joint Committee No 18/2020 of 7 February 2020 amending Annex IX (Financial Services) to the EEA Agreement [2023/296];
- Decision of the EEA Joint Committee No 43/2020 of 20 March 2020 amending Annex IX (Financial Services) to the EEA Agreement [2023/357];
- Decision of the EEA Joint Committee No 159/2020 of 23 October 2020 amending Annex IX (Financial services) to the EEA Agreement [2023/1734];
- Decision of the EEA Joint Committee No 161/2020 of 23 October 2020 amending Annex IX (Financial services) to the EEA Agreement [2023/1736];
- Decision of the EEA Joint Committee No 213/2020 of 11 December 2020 amending Annex IX (Financial services) to the EEA Agreement [2023/2015];
- Decision of the EEA Joint Committee No 215/2020 of 11 December 2020 amending Annex IX (Financial services) to the EEA Agreement [2023/2017];
- Decision of the EEA Joint Committee No 235/2020 of 11 December 2020 amending Annex XXII (Company law) to the EEA Agreement [2023/2037];
- Decision of the EEA Joint Committee No 241/2020 of 30 December 2020 amending Annex IX (Financial services) to the EEA Agreement [2023/2043];
- Decision of the EEA Joint Committee No 217/2022 of 8 July 2022 amending Annex IX (Financial services) to the EEA Agreement [2023/634];
- Decision of the EEA Joint Committee No 331/2022 of 9 December 2022 amending Annex IX (Financial services) to the EEA Agreement [2023/1273];
- Decision of the EEA Joint Committee No 332/2022 of 9 December 2022 amending Annex IX (Financial services) to the EEA Agreement [2023/1274].

2) Pending European legislation (including legislation published after 31 December 2023) and other initiatives of the European Commission:
- Regulation (EU) 2024/886 of the European Parliament and of the Council of 13 March 2024 amending Regulations (EU) No 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro;
- Proposal for a Regulation of the European Parliament and of the Council on payment services in the internal market and amending Regulation (EU) No 1093/2010;
- Proposal for a Regulation of the European Parliament and of the Council on the establishment of the digital euro;
- Proposal for a Regulation of the European Parliament and of the Council on the legal tender of euro banknotes and coins;
- Proposal for a Regulation of the European Parliament and of the Council on the provision of digital euro services by payment services providers incorporated in Member States whose currency is not the euro and amending Regulation (EU) 2021/1230 of the European Parliament and the Council;
- Proposal for a Regulation of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing;
- Proposal for a Directive of the European Parliament and of the Council on payment services and electronic money services in the Internal Market amending Directive 98/26/EC and repealing Directives 2015/2366/EU and 2009/110/EC.

3) Acts that took effect in 2023:
- Act No 324/2023 Coll., amending Act No 256/2004 Coll., Capital Market Business Act, as amended, and Act No 277/2009 Coll., on insurance, as amended (in effect as of 4 November 2023).

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2023):

- Act No 84/2024 Coll., on the non-performing loans market (in effect as of 1 May 2024);
- Act No 85/2024 Coll., amending certain laws in connection with the adoption of the Non-Performing Loans Market Act (in effect as of 1 May 2024);
- Draft Bill on the implementation of EU acts in the area of financial market digitalization (Act on Financial Market Digitalization);
- Draft Bill amending certain laws in connection with the implementation of EU acts in the area of financial market digitalisation and sustainable finance.

5) Secondary legislation:

- none

A1.5 Insurance and Private Pension Systems Legislation

1) European legislation and other initiatives published in 2023:

- Commission Implementing Regulation (EU) 2023/266 of 9 February 2023 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 31 December 2022 until 30 March 2023 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) 2023/895 of 4 April 2023 laying down implementing technical standards for the application of Directive 2009/138/EC of the European Parliament and the Council with regard to the procedures, formats and templates for the disclosure by insurance and reinsurance undertakings of their report on their solvency and financial condition and repealing Implementing Regulation (EU) 2015/2452;
- Commission Implementing Regulation (EU) 2023/967 of 16 May 2023 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 31 March 2023 until 29 June 2023 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) 2023/1672 of 30 August 2023 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 June 2023 until 29 September 2023 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) 2023/2574 of 20 November 2023 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 September 2023 until 30 December 2023 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;
- Decision of the EEA Joint Committee No 258/2019 of 25 October 2019 amending Annex IX (Financial Services) to the EEA Agreement [2023/81];
- Decision of the EEA Joint Committee No 41/2020 of 20 March 2020 amending Annex IX (Financial Services) to the EEA Agreement [2023/355];
- Decision of the EEA Joint Committee No 42/2020 of 20 March 2020 amending Annex IX (Financial Services) to the EEA Agreement [2023/356];
- Decision of the EEA Joint Committee No 78/2020 of 12 June 2020 amending Annex IX (Financial Services) to the EEA Agreement [2023/527];
- Decision of the EEA Joint Committee No 79/2020 of 12 June 2020 amending Annex IX (Financial Services) to the EEA Agreement [2023/528];
- Decision of the EEA Joint Committee No 212/2020 of 11 December 2020 amending Annex IX (Financial services) to the EEA Agreement [2023/2014];
- Decision of the EEA Joint Committee No 211/2022 of 8 July 2022 amending Annex IX (Financial services) to the EEA Agreement [2023/628];
- Decision of the EEA Joint Committee No 212/2022 of 8 July 2022 amending Annex IX (Financial services) to the EEA Agreement [2023/629];

- Decision of the EEA Joint Committee No 324/2022 of 9 December 2022 amending Annex IX (Financial services) to the EEA Agreement [2023/1266].

2) Pending European legislation (including legislation published after 31 December 2023) and other initiatives of the European Commission:

- Proposal for a Directive of the European Parliament and of the Council amending Directive 2009/138/EC as regards proportionality, quality of supervision, reporting, long-term guarantee measures, macro-prudential tools, sustainability risks, group and cross-border supervision and amending Directives 2002/87/EC and 2013/34/EU;
- Proposal for a Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU, (EU) 2017/1132 and Regulations (EU) No 1094/2010, (EU) No 648/2012, (EU) No 806/2014 and (EU) No 2017/1129;
- Commission Implementing Regulation (EU) 2024/456 of 7 February 2024 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 31 December 2023 until 30 March 2024 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;
- Proposal for a Commission Implementing Regulation (EU) laying down rules for the application of Directive 2009/103/EC of the European Parliament and of the Council as regards the template for the claims-history statement.

3) Acts that took effect in 2023:

- none

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2023):

- Act No 30/2024 Coll., on the motor third-party liability insurance (in effect as of 1 April 2024, 1 October 2024 and 23 April 2024);
- Act No 31/2024 Coll., amending laws in connection with Act on the Motor Third-Party Liability Insurance (in effect as of 1 April 2024 and 1 October 2024);
- Draft Bill amending Act No 170/2018 Coll., on insurance and reinsurance distribution, as amended.

5) Secondary legislation:

- Decree No 69/2024 Coll., on the implementation of the Motor Third-Party Liability Insurance Act (in effect as of 1 April 2024).

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	2022	Year-on-year change		2023	Year-on-year change	
Balance sheet	CZK 8,943.2 bn	4.0%	⬆	CZK 9,937.1 bn	11.1%	⬆
Total capital ratio	22.3%	-1.2 pp	⇩	22.9%	0.6 pp	⬆
NPL ratio	2.0%	-0.4 pp	⇩	1.6%	-0.3 pp	⇩
Client deposits	CZK 5,858.9 bn	6.5%	⬆	CZK 6.701.2 bn	14.4%	⬆
Client loans	CZK 4,071.7 bn	5.8%	⬆	CZK 4,356.5 bn	7.0%	⬆
Ratio of client deposits to loans	143.9%	0.9 pp	⬆	153.8%	9.9 pp	⬆

Building savings banks	2022	Year-on-year change		2023	Year-on-year change	
Number of contracts	3.2 million	-3.5%	⇩	2.9 million	-7.2%	⇩
Savings	CZK 334.7 bn	-8.6%	⇩	CZK 313.4 bn	-6.4%	⇩
State contributions	CZK 4.3 bn	2.1%	⬆	CZK 4.2 bn	-3.1%	⇩
Total loans	CZK 342.0 bn	7.1%	⬆	CZK 348.1 bn	1.8%	⬆
New loans	CZK 53.4 bn	-51.3%	⇩	CZK 33.3 bn	-37.6%	⇩
Loan-to-savings ratio	102.2%	15.0 pp	⬆	111.1%	8.9 pp	⬆

Mortgage loans	2022	Year-on-year change		2023	Year-on-year change	
Purely new mortgage loans to private individuals for housing	CZK 148.7 bn	-59.6%	⇩	CZK 111.7 bn	-24.9%	⇩
Total loans	CZK 2,509.7 bn	5.0%	⬆	CZK 2,698.1 bn	7.5%	⬆

Credit unions	2022	Year-on-year change		2023	Year-on-year change	
Balance sheet	CZK 9.4 bn	3.9%	⬆	CZK 10.1 bn	6.4%	⬆
Total capital ratio	24.8%	0.3 pp	⬆	28.5%	3.6 pp	⬆
NPL ratio	25.6%	-0.6 pp	⇩	27.1%	1.5 pp	⬆

Non-bank financing providers	2022	Year-on-year change		2023	Year-on-year change	
Balance sheet	CZK 440.9 bn	4.8%	⬆	CZK 485.4 bn	10.1%	⬆
Total loans	CZK 349.1 bn	7.3%	⬆	CZK 385.5 bn	10.4%	⬆

Regulated and OTC market	2022	Year-on-year change		2023	Year-on-year change	
PX index	1,201.7 points	-15.7%	⇩	1,414.0 points	17.7%	⬆
Trading volume on the PSE	CZK 180.9 bn	16.9%	⬆	CZK 141.3 bn	-21.9%	⇩
Trading volume on the RM-S	CZK 6.5 bn	34.6%	⬆	CZK 4.3 bn	-34.2%	⇩
Volume of OTC transactions (CSDP)	CZK 10,389.4 bn	13.9%	⬆	CZK 11,846.3 bn	14.0%	⬆

Investment funds	2022	Year-on-year change		2023	Year-on-year change	
Assets in collective investment funds	CZK 751.6 bn	6.2%	⬆	CZK 939.3 bn	25.0%	⬆
Assets in qualified investor funds	CZK 351.5 bn	33.3%	⬆	CZK 450.8 bn	28.3%	⬆

Insurance companies	2022	Year-on-year change		2023	Year-on-year change	
Balance sheet	CZK 492.9 bn	-6.0%	⇩	CZK 514.1 bn	4.3%	⬆
Total gross premiums written	CZK 200.1 bn	11.3%	⬆	CZK 213.1 bn	6.5%	⬆
Gross claim settlement costs	CZK 117.1 bn	14.8%	⬆	CZK 108.4 bn	-7.4%	⇩
Total insurance penetration	2.9%	0.0 pp	⬄	2.9%	0.0 pp	⬄

Pension funds	2022	Year-on-year change		2023	Year-on-year change	
Number of participants	4,396.6 thousand	-1.0%	⇩	4,223.5 thousand	-3.9%	⇩
Participants' assets	CZK 584.2 bn	3.1%	⬆	CZK 595.5 bn	1.9%	⬆
Share of contracts with an employer's contribution	24.7%	0.7 pp	⬆	25.9%	1.2 pp	⬆
Participant's average monthly contribution in transformed funds	CZK 795	1.8%	⬆	CZK 792	-0.4%	⇩
Participant's average monthly contribution in participation funds	CZK 853	2.9%	⬆	CZK 871	2.1%	⬆
State contributions	CZK 7.6 bn	1.1%	⬆	CZK 7.5 bn	-2.1%	⇩

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

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

As at 31 Dec		2018	2019	2020	2021	2022	2023
New building savings contracts	number	422,048	485,176	461,885	449,899	486,532	377,865
	change (%)	13.8	15.0	-4.8	-2.6	8.1	-22.3
Average target value for new building savings contracts with private individuals	value (CZK thousands)	470.1	430.5	455.9	808.7	629.1	873.3
	change (%)	18.6	-8.4	5.9	77.4	-22.2	38.8
Building savings contracts in savings phase	number	3,166,824	3,226,733	3,242,740	3,265,839	3,152,006	2,923,782
	change (%)	-1.4	1.9	0.5	0.7	-3.5	-7.2
Paid state contributions	value (CZK bn)	3.9	4.0	4.1	4.2	4.3	4.2
	change (%)	-0.8	1.6	3.5	2.9	2.1	-3.1
Average state contribution[105]	value (CZK)	1,397	1,434	1,461	1,497	1,475	-
	change (%)	1.7	2.6	1.9	2.5	-1.5	-
Savings	value (CZK bn)	355.0	359.7	362.7	366.3	334.7	313.4
	change (%)	-1.1	1.3	0.8	1.0	-8.6	-6.4
Loans in total	number	588,165	555,368	520,333	490,714	475,935	462,083
of which: building savings loans	number	282,587	267,225	254,630	234,675	235,171	257,339
bridging loans[106]	number	305,578	288,143	265,703	256,039	240,764	204,744
	change (%)	-4.0	-5.6	-6.3	-5.7	-3.0	-2.9
Loans in total	value (CZK bn)	262.9	278.1	293.5	319.3	342.0	348.1
of which: building savings loans	value (CZK bn)	38.5	48.2	60.0	64.1	81.0	120.6
bridging loans[106]	value (CZK bn)	224.4	229.9	233.5	255.2	261.0	227.6
	change (%)	7.0	5.8	5.5	8.8	7.1	1.8
Loans-to-savings ratio	ratio (%)	74.1	77.3	80.9	87.2	102.2	111.1

Source: Building savings banks. MF

[105] The value is published in the course of the subsequent year.

[106] 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		2018	2019	2020	2021	2022	2023
Supplementary pension insurance contracts[107]	number	3,494,140	3,327,507	3,154,028	2,988,958	2,774,757	2,436,050
	change (%)	-5.8	-4.8	-5.2	-5.2	-7.2	-12.2
State contributions for a given period	value (CZK bn)	5.4	5.3	5.1	5.0	4.7	4.2
	change (%)	-5.1	-2.3	-2.9	-2.7	-5.3	-9.7
Participants’ contributions[108]	value (CZK bn)	28.4	28.2	27.7	27.3	26.0	23.6
	change (%)	-3.2	-0.6	-1.9	-1.6	-4.5	-9.2
Average monthly state contribution	value (CZK)	128	133	137	140	141	140
	change (%)	6.7	3.9	3.0	2.2	0.7	-0.7
Average monthly participant’s contribution	value (CZK)	680	722	754	781	795	792
	change (%)	9.0	6.2	4.4	3.6	1.8	-0.4

Source: MoF

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

As at 31 Dec		2018	2019	2020	2021	2022	2023
Supplementary pension savings contracts[107]	number	956,820	1,128,131	1,269,989	1,451,812	1,621,853	1,787,464
	change (%)	26.3	17.9	12.6	14.3	11.7	10.2
State contributions for a given period	value (CZK bn)	1.7	2.0	2.3	2.6	2.9	3.2
	change (%)	34.1	20.8	14.5	13.1	13.4	10.1
Participants’ contributions[108]	value (CZK bn)	8.2	10.0	11.6	13.3	15.5	17.5
	change (%)	35.7	21.5	15.8	15.2	16.2	12.8
Average monthly state contribution	value (CZK)	160	160	161	161	162	161
	change (%)	0.6	0.0	0.6	0.0	0.6	-0.6
Average monthly participant’s contribution	value (CZK)	790	800	812	829	853	871
	change (%)	1.8	1.3	1.5	2.1	2.9	2.1

Source: MoF

[107] Data reflects number of policies, which are not closed in the relevant MoF records.
[108] Participants’ contributions are reported without the contributions paid by employers for their employees.

Report on Financial Market Developments in 2023

Publisher
Ministry of Finance of the Czech Republic, Letenska 15, 118 10 Prague 1
August 2024

Print
Ministry of Finance of the Czech Republic

First edition
Volume No 1

The Report is a translation from a Czech original. It is available in print and on-line on the MoF website.

ISBN (on-line) 978-80-7586-076-7
ISBN (print) 978-80-7586-075-0