



## **Interest in bonds is growing**

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**Interest of investors in bonds increased almost threefold in last three years. Demand should be rising also in the future. Recovery of the bond market was significantly influenced by legislative changes, not only by growing economy.**

Amendment of the act on bonds in the year 2014 was one of the important changes. Purpose of the amendment was to support new small enterprises in prospective sectors which help to strengthen competitiveness of the Slovak economy (start-ups), and to remove barriers to business on the capital market as regards to issuance of bonds. The amendment introduced also changes related to issuance terms and conditions. Another important change brought amendment of the act on banks replacing mortgage bonds by the covered bonds. Crucial was incorporation of the LEI code definition to our law.

Available statistics of the central depository show that share of corporate bonds increased significantly. „Number of issues of corporate bond issued in last three years increased threefold. Such issues make up to 68% of the total volume of bond issues.“ stated Martin Wiedermann, Managing Director of CDCP. Increased activity was recorded also in the covered bonds. Although with regards to the value of issues, dominant position of the government bonds is obvious. They created 88% of total value of the bonds issued in the year 2017. As regards the value, if the government bonds were excluded from the statistics, the corporate bonds (54%) and covered bonds (40%) would lead the statistic.

### **Further growth is expected**

Higher activity in bonds during last years is not just temporary phenomenon. The attendees in the conference Capital Market 2018 admit that further growth can be expected in near future. Due to envisaged growth of economy and expansion of business activities, namely in the automotive industry, the companies can develop demand after financial instruments as a mechanism to finance expansion of production capacity. It relates to obligation imposed by banks that an applicant has own resources to cover certain percentage of the credit. Thus financing via corporate bonds, where financial contribution of the issuer is not precondition, can be attractive option how to acquire financial means for development. Further impulse for market development is, in this case generated through the bonds issued by the banks, introduction of covered bonds which are to replace the mortgage bonds. Likewise, continuous improving of the investment environment of the capital market in Slovakia is essential. Reform of legislation plays important role here. During the conference Martin Wiedermann presented positive examples of changes that could support growth of the capital market. He drew from documents of the Nasdaq Island, which include several interesting ideas. One of them offers reduction of tax applicable to natural persons investing in the securities. Another important proposal is template of general terms and conditions for bonds. Such document would simplify entry of the company to the market and listing of securities. In principle it would be standardised wording for different arrangements concerning the bonds; standard general conditions would serve as an offer from which the issuers might choose conditions and arrangements suitable to their needs.

**Would you like to register the bonds?**



Issuing of the bonds in CDCP is simple now. It is sufficient to have the ISIN allocated to respective issue, to have the LEI code, to be compliant with CDCP requirements for provision of the service and pay relevant fee. You can find the requirements in the Rules of Operation and the Scale of Fees of the central depository. These documents will provide you with complete information on issuance process and conditions. The depository analyses risks linked to provision of service to the applicant and performs standard due diligence according to the „Know Your Customer“ principle. After the verification CDCP shall conclude an agreement on registration of an issue with the applicant and the client shall give its consent with the general terms and conditions. A standard agreement and general terms and conditions are published on the web site, in part dedicated to the issuers (<https://www.cdcp.sk/emitenti/dokumenty-pre-zaknihovane-cp/>)