

Basic indicators – investment firms

I. Definition and content

An overview of basic aggregate data on the sector of non-bank investment firms providing investment services in the Czech Republic on the basis of an investment firm license granted by the Czech National Bank under Act No. 256/2004 Coll., on Capital Market Undertakings, as amended, as of the given date. Also included are data on the branches of foreign investment firms operating in the Czech Republic, unless otherwise indicated.

The data are presented differently for individual types of investment firms, i.e.

- The balance sheet and the profit and loss statement are presented for non-bank investment firms and branches of foreign investment firms operating in the Czech Republic. These data are given separately in the section Basic indicators of the banking sector for entities which are banks or foreign bank branches,
- Selected prudential indicators are presented for investment firms which are not banks or foreign bank branches, for which these data are given separately in the section Basic indicators of the banking sector. The data in this table only relate to non-bank investment firms which are subject to the prudential rules stipulated in the IFD/IFR framework¹.

II. Sources and method of determination

The published data are based on statements submitted pursuant to Decree No. 424/2017 Coll. on reporting duties of some entities operating on the capital market and on the basis of the directly applicable IFR.

Several major methodological changes possibly affecting the evolution of some indicators have occurred over the duration of the time series published:

- Since 2014, the source statements have been submitted in accordance with the single reporting frameworks pursuant to the directly applicable Commission implementing regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.
- With effect from 1 January 2018, important changes were made following adjustments to financial reports due to the implementation of IFRS9. To preserve the time series, the individual indicators have been linked to the previous methodology where possible. However, the linking is not always entirely accurate.
- Since 26 June 2021, the prudential rules applied to non-bank investment firms have been governed by the new IFD/IFR framework. Given the completely new approach, prudential data are published at an annual frequency starting 31 December 2021.
 - international accounting standards (IFRS) for valuating, reporting and providing information on financial instruments were applied as of the end of 2021 following an amendment to Decree No. 501/2002 Coll. through Decree

No. 442/2017 Coll., the effect of which was postponed until 2021. Investment firms most often reported the funds entrusted to them by their clients, which they had deposited in special separate accounts with financial institutions as balance sheet items – under assets as receivables from financial institutions and simultaneously under liabilities as liabilities to clients. According to IFRS, these items are classified as assets and liabilities, which would not in other circumstances be reported as balance-sheet items pursuant to IFRS under the definition of assets and liabilities. Therefore, based on audits for 2021, a change was made to the reporting and the funds of clients were reclassified from balance-sheet items to off-balance-sheet items by investment firms.

¹ 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, and Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014.

From a methodological point of view, attention must be paid to the following:

Numbers of entities

- The data on the number of investment firms refer to the situation at the end of the given period.

Assets (in CZK thousands) and liabilities and equity (in CZK thousands)

- This dataset only contains data for investment firms which are not banks or foreign bank branches and for branches of foreign investment firms operating in the Czech Republic.
- All data are given at net book value, i.e. items designated at fair value are given at this fair value and items measured at amortized cost or acquisition price are given at the value adjusted for allowances and accumulated depreciation.
- The structure of accounting portfolios changed on 1 January 2018 due to the implementation of IFSR 9, as it was not possible to make all shifts while recalculating the time series, so this must be taken into account in the assessment. Previous data were recalculated as follows:
 - the accounting portfolio for trading was unchanged,
 - capital instruments reported until 2017 in the portfolio of financial assets designated at fair value through profit or loss were included in a new portfolio of financial assets other than for trading obligatorily designated at fair value through profit or loss,
 - the accounting portfolio of financial assets designated at fair value through profit or loss was reduced to exclude capital instruments designated at fair value through profit or loss,
 - available-for-sale financial assets were included in the accounting portfolio of financial assets at fair value through OCI,
 - a new portfolio of financial assets at amortized cost is a sum of the previously monitored Loans and other liabilities and Investments held to maturity portfolios,
- Most of the monitored items could be linked from September 2014 compared to the methodology in effect until 30 June 2014, but methodological differences exist in the following items:
 - the asset item Cash, cash balances at central banks and other demand deposits includes Other deposits payable on demand to credit institutions, which were reported in various financial portfolios until 30 June 2014, without distinguishing between deposits of up to 24 hours and deposits of over 24 hours. Therefore, the time series cannot be linked with certainty and declines in value appear in the relevant portfolios,
 - in individual financial liability portfolios a new item Other financial liabilities has been introduced; other items, in particular Other financial liabilities held for trading and Other financial liabilities at amortized cost are now used to report liabilities to clients. These items are not linked in the time series mainly because the reporting of these liabilities to clients in the past was not unified and unambiguously convertible. Until 30 June 2014 these values are included under *Deposits held for trading* and *Deposits at amortized cost*.

- The value of capital is not reduced by the value of own shares, which are reported separately and therefore only reduce the value of total equity.

Profit and loss statement (in CZK thousands)

- This dataset only contains data for investment firms which are not banks or foreign bank branches and for branches of foreign investment firms operating in the Czech Republic.
- The data are reported from the start of the year to the end of the monitored period.

Selected prudential indicators of non-bank investment firms (investment firms pursuant to IFD/IFR)

On 26 June 2021, the directly applicable IFR took effect. It was complemented by the publication on 10 December 2021 of Commission Implementing Regulation (EU) 2021/2284 laying down implementing technical standards for the application of Regulation (EU) 2019/2033 of the European Parliament and of the Council with regard to supervisory reporting and disclosures of investment firms (IFR ITS). New prudential statements of non-bank investment firms have been submitted on the basis of the latter since the end of 2021,

- They contain data on the structure of capital, capital requirements and capital ratios of non-bank investment firms newly subject to the IFD/IFR framework in the prudential area.
- Complete data are only available at an annual frequency starting 31 December 2021, as the IFR divides non-bank investment firms into categories that differ, among other things, in reporting frequency in order to ensure application of the proportionality principle.
- The capital requirement for these categories of non-bank investment firms is set either as the maximum value of the permanent minimum capital requirement (initial capital), the fixed overhead requirement and the K-factor requirement, or as the maximum value of the permanent minimum capital requirement (initial capital) and the fixed overhead requirement for non-bank investment firms meeting the conditions of Article 12 IFR. The total capital requirement is the sum of the relevant calculation for individual non-bank investment firms.
- The capital ratio is the percentage share of the individual types of capital in the total capital ratio.
- The capital surplus/deficit is the difference between the capital and the total capital requirement. The capital requirement is adjusted using a coefficient of 0.56 in the case of CET1 capital and 0.75 in the case of Tier 1 capital.

Ratio indicators

- The calculation of the individual ratio indicators is obvious from their names.
- The indicator Profit (loss) after tax/Tier 1 capital (%) is published on a quarterly basis only until 31 March 2021, and then on an annual basis for all non-bank investment firms.

- The values of the individual indicators reflect methodological effects identified in the underlying values presented in other reports.

Capital structure (in CZK thousands) (data until 31 March 2021)

- This dataset only contains data for investment firms which are not banks or foreign bank branches,
- The methodology for the individual indicators is based on the prudential rules valid in the given year, i.e. in 2008–2013 on Decree No. 123/2007 Coll., on prudential rules for banks, credit unions and investment firms, as amended, and since 2014 on 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 (CRR).
- All items for which time series are provided are calculated according to the prudential rules in effect in the given period, i.e. they are not recalculated according to the current prudential rules. When analyzing the data it is therefore necessary to take into account possible methodological effects mainly between 2013 and 2014.
- Capital structure is monitored in a different detailed breakdown under the single reporting frameworks. It was therefore possible to link only the basic capital values; the time series of other data run from 2014 onwards.

Risk exposures (in CZK thousands) (data until 31 March 2021)

- This dataset only contains data for investment firms which are not banks or foreign bank branches.
- The methodology for the individual indicators is based on the prudential rules valid in the given year, i.e. in 2007–2013 on Decree No. 123/2007 Coll., on prudential rules for banks, credit unions and investment firms, as amended, and since 2014 on 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 (CRR).
- All items for which time series are provided are calculated according to the prudential rules in effect in the given period, i.e. they are not recalculated according to the current prudential rules. When analyzing the data it is therefore necessary to take into account possible methodological changes mainly between 2013 and 2014.
- Capital requirements were monitored until 2013 and risk exposures have been monitored since 2014. Capital requirements were converted to risk exposures using a coefficient of 12.5. This may lead to greater differences in the sum totals (i.e. a previous rounding difference of 2 is 25 after multiplication, and so on).
- An investment firm with a restricted license to provide investment services and an investment firm with a restricted license for own-account trading set risk exposures in accordance with Article 95(2) and Article 97 of the CRR and Article 96(2) and Article 97 of the CRR respectively.

Capital ratios (in % and CZK thousands) (data until 31 March 2021)

- This dataset only contains data for investment firms which are not banks or foreign bank branches.

- The methodology for the individual indicators is based on the prudential rules valid in the given year, i.e. in 2007–2013 on Decree No. 123/2007 Coll., on prudential rules for banks, credit unions and investment firms, as amended, and since 2014 on 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 (CRR).
- The individual types of capital reserves are a new element in the prudential rules and are governed by Act No. 256/2004 Coll., on Capital Market Undertakings, as amended, and specified further in Decree No. 163/2014 Coll., on the pursuit of business of banks, credit unions and investment firms. The time series of these indicators therefore start on 31 March 2014.
- All items for which time series are provided are calculated according to the prudential rules in effect in the given period, i.e. they are not recalculated according to the current prudential rules. When analyzing the data it is therefore necessary to take into account possible methodological changes mainly between 2013 and 2014.
- In the interests of comparability with the new methodology, the Tier 1 capital ratio in 2008–2013 is converted to Tier 1 that can be used to calculate capital adequacy (i.e. adjusted for items deductible from the sum of Tier 1 and Tier 2). This may cause it to differ to some extent from the previously published ratio. The capital ratio is calculated as the ratio of the relevant capital (given in the Capital structure dataset) to total risk exposures (given in the Risk exposures dataset) in per cent over the entire time series. The capital surplus/shortfall is the difference between the relevant capital reported by the reporting entity (and given in dataset 5) and the capital that institutions must have at all times under Article 92 of Regulation No. 575/2013, i.e. such that will satisfy a Common Equity Tier 1 capital ratio (CET) of 4.5%, a Tier 1 capital ratio of 6% and a total capital ratio of 8%.

III. Breakdown

The breakdown of individual sets is consistent

- in the case of the balance sheet and the profit and loss statement, with the structure laid down in the directly applicable Commission Implementing Regulation (EU) No. 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council (FINREP),
- in the case of selected prudential indicators (capital, capital requirements and capital ratios) of non-bank investment firms pursuant to the directly applicable IFR ITS,
- in the case of capital, risk exposures and capital ratios, with the structure of the tables with data up to 31 March 2021 laid down in the directly applicable Commission Implementing Regulation (EU) No. 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council (COREP).

IV. Method of calculation

All data are aggregations of data contained in the statements submitted by non-bank investment firms. The data are not adjusted in any way. Calculated indicators are calculated from aggregated input data, i.e. they are not averages of the values of calculated indicators of individual entities.

V. Reporting population

The reporting population comprises non-bank investment firms and branches of foreign investment firms operating in the Czech Republic differentiated according to the individual datasets. Investment firms may only operate on the basis of a license granted by the Czech National Bank under Act No. 256/2004 Coll., on Capital Market Undertakings, as amended. The list of investment firms and branches of foreign investment firms is published on the CNB website under Supervision, regulation / Lists and registers (https://apl.cnb.cz/apljerrsdad/JERRS.WEB07.INTRO_PAGE?p_lang=en).