

EBCI | Vienna Initiative



Banking consolidation and regulatory requirements in focus at Vienna Initiative 2 Full Forum

The eighth Full Forum of the Vienna Initiative assessed key achievements over the past year and proposed an agenda for future cooperation at a meeting hosted by the National Bank of Poland in Warsaw on 18 November on cross-border banking issues affecting Central, Eastern and South Eastern Europe.

The Forum reached the following key conclusions:

- It supported work on ownership changes of banks and the consolidation and strengthening of banking systems in the region.
- It supported the approach of non-EU SEE countries to the ECB/SSM with a view to formalising supervisory coordination, building on the recently signed Memorandum of Cooperation between the European Banking Authority (EBA).
- It endorsed the organisation of a Ukraine-focused Vienna Initiative meeting in Kiev early 2016 to provide support to the National Bank of Ukraine on financial sector reform.
- It encouraged broader discussion within the Vienna Initiative framework on the uncertainty in the future size and calibration of capital requirements and regulations.
- It encouraged CESEE authorities to identify areas where technical assistance from the European Commission could support the implementation of Capital Markets Union priorities: the Vienna Initiative was identified as a good platform for the exchange of views in this area.
- It supported continued work on the Regional NPL Action Plan in light of the persistent overhang of bad loans.
- It supported continued work on credit guarantee schemes including discussion with SSM and EBA; and a workshop with EBA on capital relief.

In the past year, the Vienna Initiative has actively supported efforts by the non-EU SEE countries to develop close regulatory coordination with the European Banking Authority (EBA). This work resulted in the [signing](#) in October 2015 of a landmark [Memorandum of Cooperation](#) with EBA and five SEE countries¹, establishing a framework for cooperation and information exchange. Additionally, the Initiative focused on implementing the Vienna Initiative Regional NPL Action Plan for resolving of high levels of non-performing loans (NPLs) in the region; on credit guarantee schemes; and on capital relief discussions with EBA and ECB.

¹ Albania, Bosnia and Herzegovina (supervisory authorities from the Federation of Bosnia and Herzegovina and the Republic of Srpska), the Former Yugoslav Republic of Macedonia, Montenegro and Serbia.

New Deleveraging and Credit Monitor and CESEE Bank Lending Survey

The Vienna Initiative closely monitors cross-border funding flows and credit conditions through two major reports, the Deleveraging and Credit Monitor (DCM) and the CESEE Bank Lending Survey.

As the [latest DCM](#) shows exposure to foreign bank's funding to countries in Eastern Europe, excluding Russia and Turkey, rose by 0.1 percent of GDP in the second quarter of 2015 for the first time since 2011, driven by strong increases in Czech Republic and Poland.

The CESEE Bank Lending Survey shows that at the regional level demand for credit improved further over the last six months, while supply conditions remained stable – thus increasing the demand-supply gap. The ratio of NPLs is tentatively judged to be falling, however it remains at a level considered to be too high for banks to fully fulfill their role of financiers of economic activity. International banks continue to decrease slowly their aggregate exposure to the region, but not in all markets, thus showing continued discrimination in their activities.

NPL Resolution in CESEE

The Vienna Initiative Regional NPL Action Plan was endorsed at the 2014 Full Forum. Over the past year, the participating international financial institutions have provided support to national authorities in these countries to help them tackle the problem and workshops on impediments to NPL resolution have been organised in Albania, Croatia, Hungary and Serbia. In addition, a first of a series of training events for bank professionals was organised, and the participating IFIs have coordinated continued and focused technical assistance efforts provided to the authorities. The high level of impediments and the financial restructuring of corporations, particularly SMEs, are high on the agenda to help speed up economic growth in the region.

The EU Action Plan on Building a Capital Markets Union

The EU Member States from CESEE are potentially among the main beneficiaries of the Capital Markets Union, an EU initiative aimed at improving access to capital for companies and public investment projects. The Vienna Initiative will seek to identify measures that may facilitate the achievement of the CMU objectives for the countries of the region.

Change in Bank Ownership in CESEE

The issue of bank ownership change in CESEE was discussed and the Forum agreed that the Vienna Initiative framework should be used to facilitate and support the process of bank ownership change in the region, with the aim of preventing unnecessary losses in asset values while strengthening the financial markets in these countries. This could be achieved with the support of the IFIs in close coordination with the Vienna Initiative partners: the home and host country authorities and the banking group partners.

The Vienna Initiative was established at the height of the global financial crisis of 2008/09 as a private-public sector platform to secure adequate capital and liquidity support by Western banking groups for their affiliates in Central, Eastern, and South Eastern Europe. The initiative was relaunched as “Vienna 2” in January 2012 in response to renewed risks for the region from

the Eurozone crisis. Its focus is now on fostering home and host authority coordination in support of stable cross-border banking and guarding against disorderly deleveraging. Western banking groups continue to play an important role in the Initiative, both by supporting the coordination efforts and doing their own part to avoid disorderly deleveraging.

For additional information and the latest publications visit: www.vienna-initiative.com.

*Participants included representatives of Albania, Austria, Belgium, Bosnia and Herzegovina, Croatia, the Czech Republic, Greece, Hungary, Italy, Kosovo, Lithuania, FYR Macedonia, Montenegro, Poland, Serbia, Slovenia, and Ukraine; major bank groups operating in emerging Europe: Erste, Intesa Sanpaolo, Raiffeisen, Societe Generale,, Unicredit, and Eurobank; as well as the European Commission, the EBRD, the EIB, the International Monetary Fund, and the World Bank Group. The ECB participated as an observer.