

The 16th meeting of representatives of 8 banking associations from Central and Southeastern Europe concluded today in Ljubljana, organized by the Bank Association of Slovenia. The subject of discussions were current topics of banking operations in the region with an emphasis on systemic risks, digitalization, implementation of PSD 2 and AML5, business model and regulatory changes, cyber security, sustainable finance and others.

In addition to getting acquainted with the key systemic risks, financial position and trends of the core business indicators in the banking sector of European countries, the discussion focused on **digitization in banking**. Digitalization has a very strong impact on changing the strategic orientation of banks, and the most important obstacles are the legislative or regulatory ones and to a lesser extent also human resources. In these countries, banks have spent a significant resources on the development and upgrading of IT systems in the last three years, with the majority of technology-innovative products being launched in this period in the area of payments and credit granting, and a similar trend is expected for the next 3-year period.

On the topic of **cybersecurity** the representatives of banking associations highlighted its' most important aspect - the customer security: Criminals' actions are increasingly bold and would lead to more and more losses if not for the protective mechanisms deployed by the banks. It is crucial then to reinforce the EU institutions responsible for digital banking and related threats, unify the data requirement, allow for sharing them among regulators, and giving the appropriate feedback to banks in question. This matter should be taken into account when creating new regulations. Banks - as entities subject to one of the strongest supervisions - guarantee the proper conduct of activity, as well as the possibilities of combating and incurring costs related to potential security breaches. What is equally important is to ensure coordination of the EU institutions regarding the implementation of European regulations at the national level and the practices of individual supervisors (i.e. PSD2 implementation).

Among the current topics **proportionality principle in prudential regulations** was highlighted as a very important one. This principle, as already pointed out in the joint position of 9 European banking associations of 4 April 2019, is highly related to the cost of banking prudential regulations, foremost the costs of reporting and disclosure. This is important in particular to allow banks in Europe to provide lending in an amount corresponding to the needs of the European economy, especially for small and medium-sized enterprises. Therefore, reporting obligations should be adopted to the characteristics and ability of smaller and less complex institutions so as not to hinder their ability to efficiently conduct banking operations and financing economic development. The principal goal of this principle is to include the largest possible part of the society with banking services offer and to counteract banking exclusion, which often leads consumers to use services offered by non-regulated providers.

As regards activities to provide **sustainable finance** the representatives stressed the need that solutions aimed at promoting effective regulations should take into account the characteristics of the economies of individual Member States, their energy needs and economic development. Regulations should also be analysed in terms of possible social effects, especially regarding the risk of energy poverty. It is important to create incentives primarily in the form of tax reductions and also in the form of lower capital requirements in prudential regulations. The banking associations support solutions lowering the requirements for "green" solutions, but they are doubting that raising capital requirements for financing investments that do not have such qualities would be effective. Banks should be supported by EU policies and funds when taking efforts to transform the economies and their proper credit portfolios to low-emissions ones and call for open dialogue with all relevant stakeholders.