



ZBS<sup>1</sup> Združenje bank Slovenije  
*The Bank Association of Slovenia*

**ANNUAL REPORT 2014**



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# 1

## **FOREWORD OF THE CHAIRMAN OF THE SUPERVISORY BOARD**

Dear colleagues, partners and stakeholders,

The year behind us started with the sad news of the passing of Mr. Dušan Drofenik, M.Sc., the incumbent Chairman of the Supervisory Board of the Bank Association of Slovenia, who has left an indelible mark on the Association and on those of us who had the privilege to know him and to cooperate with him. My first thought in addressing you is to gratefully remember him and the valuable contribution that he gave to our Association.

What followed was the Annual General Meeting of the Bank Association of Slovenia convened in April when new members of the Supervisory Board were elected as the term of office of the incumbent members was to expire. At the first meeting of the newly elected Supervisory Board, the members chose me to serve as the Chairman and Mr. Janko Medja and Mr. Aleš Hauc as Deputy Chairmen of the Supervisory Board.

The Supervisory Board of the Bank Association of Slovenia examined in detail and adopted positions with regard to a number of highly important matters of which some bear a significant impact on the entire banking sector. In my foreword to this 2014 Annual Report, I would like to draw your attention to a few of these important matters, namely those which entailed an in-depth review of our activities in response to the developments in the environment of the financial services industry both at the national and international level.

Corporate Restructuring was undoubtedly among the most important topics that we examined during 2014. In particular, we adopted a set of voluntary guidelines for the restructuring of distressed corporate debt, which are now part of a comprehensive document under the heading of: "Slovenian Principles of Corporate Debt Restructuring". On several occasions we also addressed two other key issues, i.e. the issue of the tax treatment of write offs and impairments of banks' non-performing assets and the issue related to the overhaul, upgrade and transfer of the SISBON system to the Bank of Slovenia, with a view to establishing a Single Credit Register.

As regards social partnership, at the end of 2014, we reached an agreement with the trade unions setting new tariffs connected with employments duties for the year 2015, in this context, and we also established an understanding in

principle that we would continue in the future to constructively collaborate in collective bargaining by taking primarily into account the current situation of the banking industry and the aim to keep the social dialogue alive.

Another important milestone of our activity in 2014 was the passing of the modifications and amendments to the Charter on the Establishment and Work of the Settlement Council at the Bank Association of Slovenia. The Settlement Council plays an important role in our practices for out-of-court resolution of disputes, and we deem that the changes introduced in 2014 will enable a more efficient and expedient work of such body under the presidency of Mr. Franc Testen, who took over this capacity at the beginning of the year. In addition, in a wider perspective, our positions converged on modifying the Code of Banking Practice so as to lay the groundwork for the work of the Court of Honour, an item which will be on the agenda of our Annual General Meeting, to be held in April 2015.

During the year under review, extensive time was dedicated to discuss the new solutions stemming from the Public Information Access Act before dedicating significant and intense efforts and work, towards the end of the year, to carry out specific initiatives and to draft concrete proposals in connection with the preparation of the new Banking Act.

The decision to re-enter the European Payments Council in 2014, after a short absence, was another important initiative which is worth mentioning, a one that will enhance Slovenian banks' contribution to the building of a solid and trustworthy European Banking market.

Finally, it is my opinion that one of our important achievements in 2014 was the frank and constructive cooperation that we successfully entertained with the competent institutions of our country, and I am fully confident that the Bank Association of Slovenia, through this cooperation as well as through its continuous activities in the field of training, publishing and participating in the public debate, has contributed to maintain a high reputation for the Slovene banks and savings banks and, ultimately, a positive perception by their clients. In this respect, the various committees and working groups of the Bank Association of Slovenia have consistently addressed several current issues relevant to their scope of competence and the Training Centre of the Bank Association of Slovenia and the only Slovenian journal for banking and financial topics - *Bančni vestnik* – continued to pursue their respective missions with remarkable success, delivering state of the art training programmes and stimulating intellectual contributions from competent authors.

All the above against the backdrop of a still difficult situation for the banking sector and for the Slovenian economy, a situation which imposed on us the need to rationalise the operations of the Bank Association of Slovenia so as to make its functioning efficient and cost-aware.

Lastly, on this occasion I wish to offer my heartfelt thanks to all the members of the Supervisory Board of the Association and to their alternates A special thanks goes in particular to the Director of the Bank Association of Slovenia, Dr. France Arhar, and to the employees of the Association who have so valuably contributed to place the Bank Association of Slovenia at the service of its member institutions and to raise the image the Slovenian banks and savings banks in the eyes of the general public.

*Giancarlo Miranda,  
Chairman of the Supervisory Board of the Bank Association of Slovenia*

# 2

## STATEMENT OF THE DIRECTOR

Six years after the financial crisis started officially, both the banking sector and the real sector continue to grapple with its negative consequences demonstrated in significantly deteriorated bank balance sheets, shrinking of financing provided to the non-bank sector, decline in interbank financing, requirements for more capital, as well as major changes in monetary policy, primarily within the framework of the European monetary union. Despite that common characteristic for the European banking market, what we could witness in Slovenia were two big shifts: bank's balance sheets improved through recapitalisation and a transfer of non-performing loans to the Bank Asset Management Company (BAMC), and at the same time the entire economy ended the year with positive economic growth.

The recapitalisation of three banks in the amount of 3.2 billion euros and the transfer of their non-performing loans in the amount of 4.6 billion euros to the Bank Asset Management Company (BAMC) were two moves in the direction of enhancing bank stability and confidence in them both in the Slovenian and international markets.

These material starting points and the modified insolvency legislation gave impetus to the activity of the entire banking sector in the process of company deleveraging and their business restructuring. Hands-on knowledge and practice against the backdrop of the recommendations and pro-active collaboration also with the Bank of Slovenia, helped to motivate the Slovenian banks to adopt in June 2014 The Principles of Corporate Debt Restructuring acknowledged also by the BAMC with the aim to adhere to these principles when seeking solutions together with the banks for over-indebted debtors.

Rehabilitation on the creditors' and on the debtors' side is the foundation stone for new economic growth, for new investments in capital and technology for new aggregate demand wanted also by financial intermediaries based on as realistic as possible investment analysis that will at the end of the day contribute to being successful and competitive in the global market. Despite various interventions of the European Central Bank in effort to boost economic growth by deploying unconventional monetary policy instruments, prevent deflation, strengthen confidence in the euro and the entire banking system, it is clear that additional quantities of money at a symbolic interest rate and stricter criteria for financing are not producing desired results, since despite all good intentions and the transmission of central bank money, commercial

risk remains on credit institutions, which in turn means that both at home and abroad the first step is to restore confidence in the entire system and not only in the banking system, market stability and future economic growth.

The current situation could also be the right moment to dwell on the domestic banking sector and the interest-rate model that for a number of years applies a variable interest rate. The zero or even negative interest rates raise a question of phasing in fixed interest rates also on banks' lending operations with adequate interest-rate clauses, since net interest income will continue to be the foundation pillar of bank earnings. The results achieved in 2014, are encouraging indeed, but they are also a warning that fast falling deposit interest rates have limits credit institutions cannot and must not cross, if they want to have stable sources of funding.

Stable income on the one hand and cost cutting on the other, mostly in the form of provisions and impairments, are the guarantees for the competitive edge of the domestic banking sector in comparison with the banking sector in the European monetary union.

The quality of bank assets and, above all, practicing the "prudent-man rule" with regard to bank assets, generated wide discussion in 2014 between the Financial Administration of the Republic of Slovenia and the banking sector. The most critical point remains the question how the above-cited rule was applied over the last five years knowing that the due diligence principle is not stipulated in effective laws, whereas the duty to form provisions and impairments is clearly prescribed by the Bank of Slovenia.

Such ex-post approach certainly raises many questions and, at the same time, raises doubts in legal security and derogation from compliance with best international practice. We should avoid having to resolve problems in that way by adopting precise regulations and instructions for "conducting proceedings ex ante and not ex post".

Finally, something else should be mentioned for the past year: the beginning of work of the EU's supranational bank supervisory body that will oversee also three banks in Slovenia. We wish to see the European banking union come to life as soon as practicable also with the help of that institution so that would also level off the segmentation of certain markets given the identical banking regulations. Time will tell to what extent our expectations will be realised.

These general observations demonstrate that the work performed by numerous working groups that operate under the auspice of the Bank Association of Slovenia was demanding, since answers had to be given to a myriad of concrete questions and solutions adequate for this point in time had to be worked-out.

Ending on this note I thank all the members of those bodies from various banks and savings banks on their collaboration and commitment to do the job correctly and professionally.

At the Annual General Meeting of the Bank Association of Slovenia held in April, the new Supervisory Board was elected and at its first meeting in June, Mr. Giancarlo Miranda, President of the Management Board Banka Koper d.d. was selected as the new chairman, Mr. Janko Medja, President of the Management Board of NLB d.d., and the President of the Management Board of NKBM d.d., Mr. Aleš Hauc became his deputies. Sincere congratulations to all members of the Supervisory Board and high appreciation for their efforts and work as members of the Supervisory Board of the Bank Association of Slovenia.

At this point I take the opportunity to thank also all my co-workers who with their activity based on knowledge and experience together with the members of various bodies work out solutions to a wide range of concrete problems working day-in, day-out in banking brings along.

The awareness that only professional, committed and on ethical elements based work brings lasting and good results in all working environments should remain a goal and a challenge but also a guarantee for satisfaction of our members.

*Dr. France Arhar,  
Director of the Bank Association of Slovenia*

# 3

## SUPERVISORY BOARD<sup>1</sup>

### CHAIRMAN

Giancarlo Miranda, M.Sc., *Banka Koper d.d.*

### DEPUTY CHAIRMEN

Aleš Hauc, *Nova Kreditna banka Maribor d.d.*

Janko Medja, *Nova Ljubljanska banka d.d.*

### MEMBERS

Sonja Anadolli, *Deželna banka Slovenije d.d.*

Andrej Andoljšek, *Gorenjska banka d.d.*

Dr. Heribert Fernau, *Hypo Alpe-Adria-Bank d.d.*

Jože Lenič, M.Sc., *Abanka Vipava d.d.*

Davorin Leskovar, *Banka Celje d.d.*

Marko Novak, *Probanka d.d.*

Mitja Otorepec, *Summit Leasing Slovenija d.o.o.*

Vojka Ravbar, M.Sc., *SKB banka d.d.*

Sibil Svilan, M.Sc., *SID banka d.d.*

Stefan Vavti, *UniCredit Banka Slovenija d.d.*

*Hranilnica Lon d.d.*

### DEPUTY MEMBERS

Marko Bošnjak, M.Sc., *Hypo Alpe-Adria-Bank d.d.*

Damijan Dolinar, M.Sc., *UniCredit Banka Slovenija d.d.*

Igo Gruden, *Probanka d.d.*

Igor Kragelj, *Banka Koper d.d.*

Bojan Mandič, *Hranilnica Lon d.d.*

Nataša Mohorčič Zobec, *SKB banka d.d.*

Mojca Osolnik Videmšek, *Gorenjska banka d.d.*

Bojan Pecher, *SID banka d.d.*

Igor Stebernak, *Abanka Vipava d.d.*

Mojca Štajner, *Deželna banka Slovenije d.d.*

Aleksander Vozel, *Banka Celje d.d.*

*Leasing representative*

*Nova Kreditna banka Maribor d.d.*

*Nova Ljubljanska banka d.d.*

<sup>1</sup>The composition of the Supervisory Board as of 31 December 2014.

## 4

## SELECTED INDICATORS FOR THE SLOVENIA'S MACROECONOMIC LANDSCAPE AND THE BANKING SECTOR

### Macroeconomic data for Slovenia

	2013	2014
Real GDP growth (%)	2.1	2.6
Annual inflation rate – consumer price index (%)	0.7	0.2
Average annual inflation rate (%)	1.8	0.2
External surplus (in EUR mn)	1,746	2,162
General government deficit (in EUR mn)	5,380 i.e.	1,837 i.e.
	14.9 (% GDP)	4.9 (%GDP)
General government debt (in EUR mn)	25,427 i.e.	30,313 i.e.
	70.3 (% GDP)	80.9 (%GDP)

Source: Statistical Office of the Republic of Slovenia

### Data for Slovenia's banking sector

	2013 (EUR mn)	2014 (EUR mn)
Total assets	40,344	38,754
Capital	3,670	4,237
Loans	29,199	26,884
Liabilities to banks	7,729	6,221
Liabilities to non-banking sector	22,550	24,426
Net interest income	708	831
Gross income	1,091	1,232
Operating expenses	721	686
Loss before tax	3,438	67

Source: Reports on operations of banks in the current year, movements in capital market and interest rates, Bank of Slovenia, February, 2015

	2013	2014
Number of employees in banking sector	11,201	10,667

Source: Reports of the members of the Bank Association

# 5

## ACTIVITIES OF THE BANK ASSOCIATION OF SLOVENIA IN THE COURSE OF 2014

### *Economics of banking operations*

The entire 2014 passed in intensive co-operation with the Bank of Slovenia, the Ministry of Finance and the Financial Administration of the Republic of Slovenia in effort to cover all aspects of the economics of banking operations that combines banking accountancy with fiscal matters and technical standards on supervisory reporting for institutions (ITS) published by the European Banking Authority (EBA) and prudential reporting to the European Central Bank (ECB), the area of risk management and the internal audit area.

The emphasis was on a proactive participation in the discussions about the proposal for recasting the Banking Act (ZBan-2) and amending the Bank Resolution Authority and Fund Act (ZOSRB), the implementation of the new uniform technical standards ITS/EBA into the reporting framework, the preparation of the input data for the Central Credit Register at the Bank of Slovenia, and monitoring novelties in tax legislation, including the consequences of the changes made to the tax treatment of write downs and impairments, as well as the requirements for bank reporting on the basis of Agreement between the Government of the United States of America and the Government of the Republic of Slovenia to Improve International Tax Compliance and to Implement FATCA (Foreign Account Tax Compliance Act) ratified by Slovenia in July 2014.

### **ACCOUNTING COMMITTEE**

The members of the Accounting Committee monitored meticulously during the first months of 2014 the information made available by the Bank of Slovenia regarding a granular credit database serving to set up a new Central Credit Register to be linked with the ECB project Analytical Credit Dataset (AnaCredit). In March 2014, an exhaustive comment was addressed to the Bank of Slovenia with numerous reservations and concrete remarks in relation to such a wide range of data on credit and an unproportioned increase in reporting burden and costs at credit institutions.

All year long, at the Committee's level there was a proactive and on-going dealing with accounting matters at banks that called for immediate attention

through an exchange of professional views and best practice experience either at the meetings or by correspondence. There were many questions asked in connection with the implementation of the EU Bank Resolution and Restructuring Directive (BRRD Directive), particularly regarding contributions made into the national resolution fund (capital investment) and into the European resolution mechanism (cost).

Since the effective date of IFRS 9 was deferred at the level of the IASB and the European Commission, there were no particular activities undertaken by the Committee, and no theme workshop was organised in 2014 but it is expected to take place in the first half of 2015.

#### *Working group for reporting requirements*

Within the framework of the working group responsible for reporting requirements, the subgroups for COREP and FINREP reporting were highly active in addressing open questions regarding the EBA's Implementing Technical Standards (ITS) complex reporting on own funds and capital requirements for credit risk and geographical segmentation, large exposure, financial leverage and liquidity risk ratio, as well as liquidity and stable funding (NSFR). Since reporting impacts different lines of business of credit institutions, a broader alignment with the Accounting Committee and the Risk Committee is required.

Several meetings were organised with the representatives of the technical offices of the Bank of Slovenia for specific reporting areas with the aim to get answers to certain questions after the EBA published the final draft ITS with minor changes to templates and instructions to reflect some of the answers published in its Single Rulebook Q&As and to correct legal references and other clerical errors.

#### *Working group for tax matters*

The working group responsible for tax matters continued its work also during the year under review and addressed the changes in the tax legislation (modification to the Financial Services Tax Act - ZDFS, Tax Procedure Act - ZdavP, Rules on the calculation of value-added tax, expiry of the requirements under the Tax Act on Banks' Balance Sheet Assets...) and with its proposals and comments was a proactive participant in the prior public consultations.

The emphasis was on the tax treatment of write downs and impairments in banks against the backdrop of the opinion handed down by the Financial Administration of the Republic of Slovenia (FURS) in March 2014 in which certain provisions of the Corporate Income Tax Act (ZDDPO) are interpreted in a way that is unfavourable for and increases tax uncertainty and risk of additional tax liabilities arising from write downs and impairments of credits made over the past few years.

Despite all the efforts and discussions involving the Ministry of Finance, Financial Administration and banks, that is, the Bank Association, no acceptable solution was found and the matter will be on the agenda of further bilateral negotiations to be held between a narrow group of banks and the tax authorities.

In the last months of 2014, the activities carried out at the EU level gained momentum within the framework of the European mechanism of »enhanced cooperation« to levy tax on financial transactions with Slovenia as a participating Member State. However, according to the information divulged by the Ministry of Finance, the tax is not on the table for the time being.

#### *Working group for FATCA*

In the first half of 2014, the representatives of the working group successfully co-operated with their comments and questions with the technical offices of the Ministry of Finance on the preparation of the final version of the Agreement between two governments to improve international tax compliance and to implement FATCA and the annexes to the FATCA Agreement ratified in July 2014 by the National Assembly of the Republic of Slovenia.

Co-operation with the Ministry and the Financial Administration of the Republic of Slovenia gained impetus in the second half of 2014, since credit institutions in their preparations for reporting and identification, that is, due diligence of customers, come across operating problems every day.

Following the Association's initiative, a meeting was organised in September with the staff competent for FATCA at the U.S. Embassy in Ljubljana when a representative of the Bank Association presented the activities carried out up to that moment (information for the general public, publishing a leaflet to help customers, conducting training for reporting referring to FATCA and organising a theme workshop, publishing technical articles about FATCA in the publications of the Bank Association, providing unofficial translations into the Slovenian language of the forms and instructions for self-certification of customers).

The result of the meeting was added content on the website of the U.S. Embassy with a special section dedicated to FATCA ([http://slovenia.usembassy.gov/irs\\_taxes.html](http://slovenia.usembassy.gov/irs_taxes.html)) and the appointment of a special contact persons for contacts with financial institutions.

During the last couple of months in 2014, the banks started to conduct intensively due diligence of their customers with the identified U.S. indicia, that is, U.S. reportable accounts, since it is mandatory for the reporting Slovenian financial institution to start reporting information in the middle of 2015 to the Financial Administration of the Republic of Slovenia (FURS) and then to the tax authorities of the United States.

## RISK COMMITTEE

During the year under review, the members of the Risk Committee, among other things, collaborated intensively with the technical offices of the Bank of Slovenia on the definition and the reporting requirements for non-performing exposures and forborne exposures (NPEs and FBEs). They also discussed the information of the Bank of Slovenia in connection with the procedure for setting up a Central Credit Register at the Bank of Slovenia in connection with the ECB project AnaCredit. The new requirement for the calculation of an additional capital need for excessive financial leverage risk in credit institutions was specified with the representatives of the Bank of Slovenia.

One of the significant tasks of the Committee was also the preparation of the topics for the traditional annual conference on risk management in banks where non-performing exposures, early warning systems for increased credit risk and macro prudential supervision of credit institutions were the issues discussed by the participants.

### *Working group for credit collateral*

The members of the working group paid considerable attention to the banks' activities in the field of residential property appraisals and the appraisers' proficiency standards with the aim to converge the banks' standards regarding the scope, format and other parameters of appraisals of real estate, machinery and equipment.

The first discussions were held in 2014 about the proposal to launch a project serving to examine the possibility for the integration of the data in the land register and in the land cadastre followed by appointing a task force composed of the representatives of the banks asked to prepare a dataset for the Surveying and Mapping Authority of the Republic of Slovenia (GURS) to be available to all banks »on-line«.

In the course of the current restructuring procedures, there were cases in which appraisers and consultants fell short of the criteria to be independent and with no links between them. A conflict of interests when the value of real estate has to be assessed, that is, its selling price is operational risk for banks and it is difficult to manage, particularly when more than one bank is involved.

## INTERNAL AUDIT COMMITTEE

In 2014, the Committee's key activities included the preparations for the traditional annual conference of internal auditors organised for the first time in 2014 together with the representatives of banks responsible for compliance. The topics at the forefront highlighted the role of an efficient internal control

system, personal data protection, policy for assessing the suitability of members of management boards, supervisory boards and holders of key functions. Moreover, the guidelines of a concrete bank for customer complaint management were presented.

At its meetings the members of the Committee paid much attention to the work of internal auditors, since internal auditors in banks were struggling to keep abreast of their standard current tasks and new and additional demands made by supervisory boards for in-depth reviews ex post for lengthy past periods.

The members of the Committee were also engaged in the preparation of remarks and comments on the draft text of the recast Banking Act (ZBan-2) and based on a wide consultative meeting they drafted proposals to change certain articles that regulate the work of the internal audit department in a credit institution.

## ***Money and capital markets***

### **TREASURY COMMITTEE**

Driven by difficult market conditions, the Committee continued in 2014 to engage intensively in steering the activities of the banks members of the Committee, Ministry of Finance and the Bank of Slovenia with the aim to facilitate the adoption of timely measures for the banking system liquidity management. One of the principal tasks the Committee has is to identify and address in a timely manner the issues that fall within the scope of the treasury function in banks. At its regular meetings held in the presence of the representatives of the Bank of Slovenia and the Ministry of Finance, the Committee monitored and discussed up-to-the-minute information divulged by the monetary and fiscal authorities with the emphasis on changes in regulatory framework of the central bank (particularly in the field of refinancing operations and assets eligible as collateral).

In the field of liquidity, the Committee analysed the situation in debt markets and discussed the possibility of financing, harmonised initiatives for a joint position of the member institutions with the aim to ensure systematic conditions for banking sector liquidity and drafted proposals for solutions to a possible institutionalisation of the money market and other measures.

The Committee paid particular attention to those regulatory requirements that directly or indirectly affect the treasury function in banks – a topic discussed at large when the going gets rough and the banking sector is hit hard: regulations on liquidity reports and liquidity risk management, financial transactions tax and so-called bad banks.

During the year under review, the Committee monitored also the developments in financial markets and relevant regulations (directives EMIR, CRR/CRDIV, banking union), its members co-operated proactively with other working bodies of the Bank Association of Slovenia (working group for Basel III together with the Committee on risk management, the working group for EMIR together with the Committee on back office and custodian matters), the activity of gathering and exchanging information regarding treasury continued between the members of the Committee and they gave a helping hand when training programmes for the area of treasury were prepared.

### **BACK OFFICE AND CUSTODY SERVICES COMMITTEE**

In 2014, the Committee met at regular meetings to examine and discuss the developments concerning back office functions for the area of financial markets and custodian services.

The activities performed by the Committee in relation to legislative matters were focused on monitoring acts that regulate financial instruments, custodian services and back-office issues. In addition, the Committee participated in tax matters that refer to transactions involving financial instruments by liaising with the working group for taxes. The working group for bank custodian services addressed the topics that fall within the scope of custodian services regulated with the Investment Trusts and Management Companies Act (ZISDU) and was a proactive partner to the supervisory institutions.

The Committee's activities in the field of best practice applying to operations with financial instruments will be directed to settlements of transactions with financial instruments, financial instruments valuation and international agreements. The Committee took part also the discussions about putting in place capital market infrastructure and multilevel system of beneficial ownership of stock. These activities will continue through co-operation in the groups NUG and MIG, and within the framework of two mixed working groups (for market risk and for dormant company accounts – DCA). The working group for European Market Infrastructure Regulation – EMIR continued to work on the implementation of EMIR in the Republic of Slovenia started in 2013 and engaged in a dialogue with supervisory institutions about the content and technical details of reporting. In order to identify the best possible solutions, the Committee collaborated proactively with the Securities Market Agency, Central Securities Clearing Corporation (KDD), Association of Stock Exchange Members, Bank of Slovenia and other institutions of the capital market.

## RETAIL BANKING OPERATIONS

The Committee monitored in 2014 the evolution of the project for establishing the central credit register and the envisaged changes to data reporting (additionally for sole proprietors), information access policy and new organisational arrangements. Furthermore, the Committee kept a watchful eye on how personal accounts are used for business purposes and based on the findings made, proposed to make modifications to the Tax Procedure Act. Another area of interest was cash earned from performing a business activity deposited by sole proprietors on their transaction accounts and later on transferred to their business accounts. Whether such transactions were legal was the question addressed to the Financial Administration of the Republic of Slovenia (FURS). During the year under review, the Committee also looked into unusual transactions mostly connected with abuses of accounts opened for children by one parent. Guided by the need to establish uniform practice, how funeral costs could be paid out from the transaction accounts of the bank's customers before the decision on inheritance becomes final. In autumn, the issue of financing real estate purchases came up in a specific case (Housing Fund of the Republic of Slovenia) when ownership of flats in multi-dwelling residential buildings is still not registered and a housing loan cannot be secured by a mortgage. Acting on the initiative of other working bodies of the Bank Association of Slovenia, the Committee examined current issues in connection with the proposal to inquire about balances on accounts opened with other banks, pledging insurance policies in favour of creditors (vinculation) when an insurance contract is terminated for the convenience of the insurance company after defaulting on insurance payment and cashing in collector coins for EUR 3.

All year long, the Committee members monitored proactively drafting new legislation (Banking Act, Directive on access to payment account with basic features, Regulation on key Information Documents for Small Investors, Alternative Consumer Dispute Resolution Act, Consumer Protection Act) and guidelines for its implementation (Guidelines for handling complaints in securities area and banking, Key information document for investment products). The Committee took note also of consumer-related studies of the European Commission (e.g. household over indebtedness, protection and satisfaction of consumers in the area of financial services).

On the Committee's initiative, within the framework of the working group for monitoring activities for switching banks, banks' websites and their brick-and-mortar branches were toured to check availability of information (leaflets) about the rules and procedures for switching banks and the analysis of the opinion questionnaires served to learn more about these procedures on the ground.

The website [www.vseobanki.si](http://www.vseobanki.si) got new terms and contents. A warning notice was drafted for the public about risks to which consumers are exposed when using virtual currencies.

## PAYMENT CARD COMMITTEE

The Committee held five regular meetings in 2014 and one meeting by correspondence and fulfilled together with the working groups and for a that operate within the framework of the Committee all the tasks planned for the year 2014.

The Committee approved the analysis, findings and proposed measures for 2014 in connection with Poravnava bankomatov, a payment system for clearing and settling claims and liabilities arising from transactions with domestic debit cards at ATMs the payment system prepared by its administrator – Bankart d.o.o. – and passed relevant decisions. The Committee also reviewed and approved modifications and amendments to the documents »Provision of IT security in payment system Poravnava bankomatov« and its annex »The list of security controls for the payments system Poravnava bankomatov«. By virtue of the decisions handed down by the Bank of Slovenia to issue authorisation for modifications to the rules for the payment system Poravnava Multilateralnega kliringa MasterCard, the Committee completed the documentation necessary for signing the amended documents (Contract on settlement of obligations and receivables from Multilateralni kliring MasterCard and the Rules on the operation of the payment system Poravnava Multilateralnega kliringa MasterCard). The Committee also monitored statistical reports on the situation in the area of payment cards in Slovenia provided by the Bank of Slovenia on a quarterly basis. The Committee learned about the new business models of MasterCard and examined the prescribed model forms. In co-operation with Police, a workshop was organised with the topic: Abuse of payment cards where in addition to addressing concrete cases, also the significance of strengthening information sharing by the representatives of certain institutions was underlined. The Committee paid particular attention all year long to the developments in connection with the adoption of the Regulation on Multilateral Interchange Fee for card payment transactions (MIF Regulation). The Committee's representatives met also with one of the European Parliament members and informed her about the key remarks of the Slovenian banks regarding the proposed regulation. As regards the translation of the documents referring to the adoption of the Regulation on multilateral interchange fees for card-based payment transactions MIF Regulation, a contact was made between the Bank Association of Slovenia and the translators working in Luxemburg and Brussels thanks to the efforts of the Bank Association of Slovenia.

In co-operation with the working group for PCI DSS (Payment Card Industry Data Security Standard) and the Legal Office of the Bank Association of Slovenia,

the Committee drafted a proposal to amend the contracts concluded with the points of sale in order to comply with the PCI DSS security standards when conducting card transactions. The Committee joined forces also with Slovenia's Chamber of Trade to plan the implementation of the new rules.

Within the framework of the overhaul of the legal frame for the payment system for ATM settlement (Poravnava bankomatov), the Committee endorsed the proposed modification to procedures revised in the Recommendations arising from unsettled liability of two or more participants in the payment system for ATMs - Poravnava bankomatov.

The forum of principals that operates within the framework of the Committee examined and approved membership of Delavska hranilnica d.d. into the multilateral clearing – Multilateralni kliring MasterCard.

Within the framework of the working group for mobile payments comments were prepared in relation to the draft ECB document for public consultation the Recommendations for the security of mobile payments, within the framework of the working group for the recommendations BA, POS and card transactions were prepared the Recommendations for security standards for card transactions. Consequently, the Committee's Security Forum, amended and updated the notice for the public about secure use of payment cards.

#### *Working group for security of persons and property*

The working group examined at its meetings various criminal acts (robberies, attacks on ATMs, frauds...) and extraordinary situations such as the 2014 winter. Most activities were directed to preventive protection in order to decrease the possibility of loss-given events. The working group addressed also other open questions (co-operation with Telekom to improve the alarm transmission system) and worked together with various institutions (Chamber for the development of private security services, Information Commissioner). The representatives of the working group engaged proactively in the work of the group for recasting the rules on transportation and protection of cash and other valuable shipments that collaborates with the Slovenian Chamber for the development of private security services.

Furthermore, during the year under review, a national survey on robberies and other forms of attacks on banks was conducted within the-wide survey under the auspices of the European Banking Federation.

#### **ANTI-MONEY LAUNDERING ACTIVITY**

The AML Committee addressed a series of topics in 2014 such as unusual transactions (above all in relation to account abuse), executing cash transactions

through an authorised person, evidence of the origin of funds, necessary documentation when entering into additional business relationship and the treatment of customers whose business activity is linked to transactions with virtual currencies. At several meetings the issue was raised concerning control of SEPA transactions executed between Slovenian banks when beneficiaries are on the lists of entities subject to restrictive measures. The Bank of Slovenia was approached for its opinion about the need to control inflows from domestic transactions. The Committee also looked into the new service provided by some banks called automated deposit at ATM that enables depositing high cash amounts to customers and those who are not customers of that bank. Further to the dilemmas about the criteria for reporting on such transactions and customer identification, the Office for Money Laundering Prevention was asked for interpretation in order to ensure that all banks follow the same rules. Levying disproportionately high fines for systemic errors of financial institutions in the draft directive that sets out a framework, which is designed to protect the financial system against the risks of money laundering and terrorist financing, was also a matter of discussion resulting in a motion for the European Banking Federation (EBF) to re-examine the proposal, which it did.

In co-operation with the Bank of Slovenia and the Information Commissioner at the joint meeting with the representatives of the Committee, positions were drafted to facilitate banks' tasks in order to comply with the Personal Data Protection Act (ZVOP) and also Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT).

The representatives of the Committee worked also on the project with the title: National Risk Assessment coordinated by the Office for Money-Laundering Prevention with the aim to identify the area with the highest exposure to AML/CTF risk in the country, that is, particular sectors.

On the initiative of the Office for Money-Laundering Prevention, the Committee and the working group for interbank relations prepared proposals to modify and amend the Prevention of Money Laundering and Terrorist Financing Act.

A task force was appointed to prepare a brochure for customers about the measures for the prevention of money laundering and terrorist financing (AML/CTF) sponsored also by the Bank of Slovenia and the Office for Money Laundering Prevention. The final version of the brochure is available also in the English language.

The working group for amendments to the Recommendations for IT support serving to monitor unusual operations overhauled and completed the unusual operations support indicators that could be connected with criminal offences and frauds. Liaisoning also with the Bank of Slovenia proved highly productive.

The newly established working group for restrictive measures started to prepare positions for the Recommendations for taking action in case of restrictive measures having a universal nature (these recommendations would apply to all states against which restrictive measures are in place).

The working group for alternative practices of customer identification started with the preparation of a tentative roster of products perceived as less risky for money laundering and/or terrorist financing; hence, customer identification when entering into a business relationship could use alternative methods.

## **CORPORATE BANKING OPERATIONS**

The activities in corporate banking operations in 2014 were rather similar to 2013 since non-performing loans resolution remained on the agenda with the emphasis on the biggest cases. Legislative solutions under insolvency law introduced in 2013 were all but straightforward according to foreign experts from renowned institutions such as the International Monetary Fund (IMF) – exactly the point made by the Bank Association when the draft law was in the parliamentary pipeline. The draft law became the act serving as a basis for resolving relationships between debtors and creditors. Legislation remains complicated and inconsistent, but it has put in place, although compared with other legislations, in a questionable way, an array of additional instruments. The unfinished attempt to introduce the absolute priority rule also into the compulsory settlement processes is worth noting, even though we have come only half of the road. Reintroducing the so-called healthy cores was a welcome move, which mean through better repayment to creditors also a survival for the business. However, legislation has failed to resolve some essential questions regarding success of rescuing a business, such as systematic collateral for interim and badly needed financing while waiting for the confirmation of compulsory settlement. Given the situation described above and effective legislation, systematic education was organised at member institutions and addition clarifications of the matters provided also with the help of the Bank of Slovenia and other stakeholders at promulgation of legislation.

Foreign and domestic experience indicates that tackling over-indebted debtors calls for immediate and co-ordinated action and not to wait for formal insolvency procedures to commence. When member institutions opt for that approach, they were faced with numerous questions, so the work on drafting »The Slovenian Principles of Corporate Debt Restructuring« started within the framework of the Bank Association of Slovenia and the Principles were adopted eventually and let to their adoption. The Principles observe best practice is that area in the financial world, above all by relying on the so-called London approach. The Principles provide a framework for the co-ordinated and streamlined action of creditors with the aim to resolve non-performing assets in companies where

there are several creditors. Also the Bank of Slovenia participated proactively and transposed the Principles as an example of »best practice« also into its regulatory framework.

Implementation of the newly promulgated legislation and the Principles in practice gave rise to different understanding and interpretation by stakeholders – they had different status and the bulk of the activities served to resolve open issues among them. We notified competent governmental bodies of the identified obstacles and proposals for improved functioning in that area made, above all, by governmental and para-governmental participants in real time, primarily the ministries for justice, economy and finance. Nevertheless, numerous initiatives, despite additional constant efforts remained unanswered, which means that these tasks have to continue.

### **PAYMENT SERVICES AND SEPA PROJECT**

The Payment Services Committee spared no effort to monitor maintenance of the existing SEPA solutions after the Bank Association of Slovenia terminated its membership of the European Payments Council (EPC) effective in 2014. The working group for SEPA credit transfers and the working group for SEPA direct debits started to update the documents to incorporate the news from the new versions of the scheme rules and implementing guidelines. Within the framework of SEPA credit payments, there were new purpose codes published by the International Organization for Standardization (ISO) and, consequently, updating the Slovenian version of purpose codes. The task force for standards published a manual: » ISO 20022 XML message standard for exchanging credit transfer information in the B2B information exchange mode«.

In the field of cash operations, the activity of the working group was focused on the implementation of Regulation (EU) 1210/2010 concerning authentication of euro coins and handling of euro coins unfit for circulation and carrying out the activities for putting the new EUR 10 banknotes in circulation.

In all segments of SEPA, the activities were oriented toward checking available EPC documentation (published on the EPC's public web pages), on-going updating of the SEPA Slovenia website and monitoring the response by the public to the novelties and co-operation in the National Payments Council at the Bank of Slovenia where at the December meeting stakeholders learned about the initiative to introduce optically readable codes on the UPN universal payment form and e-mandates in the SEPA direct debit scheme.

The working group for e-invoice embarked on the activities with aim to include other processors of e-documents as potential new participants in the e-račun system and addressed the matter connected with the launch of the issuance of electronic invoices to the public sector as of 1 January 2015. In April 2014, with

the help of the working group, a workshop was organised with major issuers of e-invoices in Slovenia. Moreover, the working group continued to work on the development of new functional services in the electronic invoicing system and particularly on the introduction of the direct payment service for e-invoice, using new types of messages (order, delivery note, reminder), introducing e-invoice rejection and examination of the possibility to arrange for archiving services for e-invoices and other e-documents.

In 2014, the working group for e-enforcements – e-izvršbe (electronic enforcement) together with the representatives of the Financial Administration of the Republic of Slovenia worked intensely on the preparation of the amended version of the documentation for electronic exchange of decisions to enforce debt collection and agreed the activities for the actual commencement of receiving enforcement decisions by electronic channels at the beginning of 2015.

With the Financial Administration of the Republic of Slovenia it was agreed in 2014 electronic sending of data on inflows in transaction accounts of natural persons by using the communication interface ZBS\_B2B, and instructions were signed to disseminate data from banking records to the Financial Administration of the Republic of Slovenia for the purpose of tax oversight, running tax debt enforcement procedures and for procedures serving to postpone (delay) or write off debt or make payments in instalments.

## **DOCUMENTARY OPERATIONS**

In 2014, the Committee on documentary operations co-operated proactively in the international area in the work of the bodies of the International Chamber of Commerce (ICC) participating, above all, in the activities of the Committee for Banking Technique and Practice (Banking Commission) and in the work of ad-hoc task forces entrusted with specialised areas at the ICC. The Committee's representative took part as a regular member in dispute resolution related to documentary instruments within the framework of a group of international experts and within the framework of the Rules for Documentary Instruments Dispute Resolution Expertise - DOCDEX. Furthermore, the Committee continued to work together with the National Committee of the ICC with the head office at the Chamber of Commerce and Industry of Slovenia (GZS).

On two occasions in 2014, the representatives of the Committee and banks attended working meetings of the ICC Banking Commission: in spring in Dubai and in autumn in Istanbul. The representative of the Committee on Documentary Banking Operations in the reports on the most important points of the meetings of the ICC Banking Commission to their Slovenian colleagues - the Committee members - presented the Banking Commission's plan of activities for 2015,

the developments and progress made by the specialised task forces and the decisions passed by the Banking Committee when responding to technical questions asked by the member states.

In the domestic environment the Committee on Documentary Banking Operations played its part in novelties and problems arising in the professional matters, disseminated novelties to its members and specifically to the Slovenian banks and helped the Ministry of Finance by sharing knowledge and literature when ICC Uniform Rules for Demand Guarantees (URDG 758) were transposed into the Slovenian public procurement legislation.

During the year under review, the Committee on Documentary Operations prepared a few technical answers to the inquiries from the institutions that use guarantees (Slovenian public tenders and international guarantees) and companies that asked for a helping hand to solve a problem or expert advice prior to closing a business deal.

In addition, the Committee on Documentary Operations together with other specialists for the banking area and SWIFT worked together to develop and promote a new international product for mitigating risk – Trade Service Utility (TSU) – Bank Payment Obligation (BPO). Among other things, the instrument was presented to the representatives of companies and banks at the Conference on Payment Services under the auspices of the Bank Association of Slovenia. The ICC Uniform Rules on Bank Payment Obligation, an irrevocable conditional undertaking to pay given from one bank to another, was issued in 2013 but there is no translation into the Slovenian language.

Thanks to membership of the Bank Association of Slovenia of the London-based ICC Commercial Crime Services, the Committee will continue to receive monthly bulletins and alerts regarding piracy and commercial crime including fraud in international trade, insurance, financial instruments, money laundering, etc. thus adding to security of member institutions arising from Slovenian and international documentary instruments.

## INFORMATICS

The Informatics Committee held six meetings in 2014. In particular, it looked into upgrading and expanding the use of the ZBS B2B communication interface as a single mechanism for exchanging data between the members of the Bank Association of Slovenia, companies and institutions, with which the members exchange data, reports or files. We conducted the activities for establishing data exchange through ZBS B2B with the Public Payments Administration, Tax Administration of the Republic of Slovenia, the Bank of Slovenia, Office for Prevention of Money Laundering, Chamber of Agriculture and Forestry, Bankart, Supreme Court and Radio Televizija Slovenija.

On the public website, we posted in February the new amended version of the *Technical Specifications ZBS B2B - communication standard for exchanging messages between partners and banks*, in 2.11. The amended standard was approved by the Committee on informatics in February; the amendments refer to sending messages divided in parts, enabling restrictions on incoming contents and enabling time schedules for exchanging message.

In March 2014, we wrapped up upgrading the ZBS B2B communication interface for which the content was prepared by the working group for the so-called eStandardi. Those download packages, technical documentation; user instructions for the ZBS B2B communication interface software solutions were published on the public website of the Bank Association of Slovenia in March. The software solutions communication interface now complies with the *Technical Specifications ZBS B2B - communication standard for exchanging messages between partners and banks*, in 2.11. The technical documentation for the IT solution ZBS B2B was amended in June by adding a few security-relevant changes.

In June 2014, we started with the preparation to conduct the security audit of the ZBS B2B communication interface and invited several IT companies to submit their bids and in November the contract was awarded to the selected bidder. Since the operational process of the ZBS B2B communication interface revealed some security deficiencies, in the June call for bids we asked bidders to offer a solution to make corrections to the ZBS B2B interface and the bid for a partial delivery of security patches to ZBS B2B was selected and accepted in October. The work to upgrade the interface started in December.

The upgraded version ZBS B2B communication interface was successfully installed at all the member institutions of the Bank Association of Slovenia and the Public Payments Administration. The following step was to test reporting on the exchange of ISO printouts through the ZBS B2B communication interface between the UJP and three test banks. Production exchange between the Public Payments Administration and banks on 1 February 2014. In October, data exchange in accordance with the Public Information Access Act between the member institutions and the Public Payments Administration through ZBS B2B communication interface was in place.

In line with the commitment to put in place reporting through ZBS B2B communication interface between the Office for Prevention of Money Laundering and the members of the Bank Association of Slovenia, we met in January as requested by the Office for Prevention of Money Laundering also with the Office of the Government of the Republic of Slovenia for Protection of Classified Information to ask the office to review the suitability of the use of the ZBS B2B communication interface to exchange reports between the members of the Bank Association of Slovenia and the Office for Prevention of Money Laundering. However, during the year under review, no data exchange through

the ZBS B2B communication interface between the Office for Prevention of Money Laundering and the members of the Bank Association of Slovenia was not realised. Nevertheless, the Office for Prevention of Money Laundering installed the interface for its use and carried out testing with the test bank. These activities should be resumed in the course of 2015.

With the Financial Administration of the Republic of Slovenia (former Tax Administration of the Republic of Slovenia – DURS) we managed in 2014 to prepare a testing platform and later on for production transmission of data on inflows into transaction accounts of natural persons through the ZBS B2B communication interface. Mandatory reporting is stipulated for banks in Article 37 of the Tax Procedure Act and the Rules on the content, manner and deadlines for data transmission into transaction accounts of natural persons. Going into production is expected in February 2015 and will be followed by the preparations for the implementation of the Common Instructions of the Financial Administration of the Republic of Slovenia (FURS) and the Bank Association of Slovenia to transmit data from banking records to the Financial Administration of the Republic of Slovenia (FURS). The ZBS B2B communication interface will be used also for those reporting requirements.

Using the ZBS B2B communication interface to exchange reports between the members of the Bank Association of Slovenia and the Bank of Slovenia was supported by the Bank of Slovenia in November and it announced the start of test sending the reports on modern payment instruments - SPI under the standard of the Bank Association of Slovenia, that is, through the ZBS B2B communication interface in January 2015.

The communication about the use of the ZBS B2B communication interface to exchange data on *eizvršbe* (electronic enforcements) between the members of the Bank Association of Slovenia and the Supreme Court will continue in 2015, since the Supreme Court did not reply to the specification of the implementation of IT support for serving court papers under the Civil Procedure Act (ZPP) using the solution of the Bank Association of Slovenia sent in June.

In 2014, we informed the Chamber of Commerce and Industry and some IT companies that provide services to the member institutions about the possibility to use the ZBS B2B communication interface free-of-charge. The working group for *eStandarde* prepared also presentations for some companies and for the Chamber of Agriculture and Forestry and RTVSLO, since the ZBS B2B communication interface could also serve to exchange data referring to *eizvršbe*.

We informed the Slovenian Insurance Association, Slovenian Association of Management Companies, Stock Exchange Members Association, Central Securities Clearing Corporation and leasing companies – members of the Bank Association of Slovenia about the possibility to use the ZBS B2B communication

interface for data exchange, that is, reporting in accordance with FATCA to the Financial Administration of the Republic of Slovenia, and also for other types of data exchange and reporting.

The first meetings with the use of the ZBS B2B communication interface to exchange data between the members of the Bank Association of Slovenia and Bankart were held in June and Bankart's proposal to the members the Bank Association of Slovenia to switch to the use of the ZBS B2B interface to exchange data with Bankart was accepted in November subject to the condition that all the members of the Bank Association of Slovenia migrate at the same time. To that end, the members listed the data – transmissions with Bankart and for expert co-ordination of a simultaneous changeover, a task force was appointed. In December, we collected statements from the members of the Bank Association of Slovenia accepting the simultaneous switch over to the ZBS B2B communication interface for exchanging data with Bankart.

With the aim to bring to the attention of all stakeholders the fact that there is a single data exchange mechanism in place – ZBS B2B communication interface – we sent to the members of the Bank Association of Slovenia, its committee and working groups notices, memos and the e-bulletin ZBS eBilten. A presentation of the ZBS B2B communication interface was held in March for the working group for enforcement (elzvršbe), management of the Accounting Committee and for management of the working group for reporting. In May 2014, the representatives of the working group for enforcement – elzvršbe, Committee for Informatics and the management of the Bank Association of Slovenia met to discuss the progress made.

Most activities related to amendments to the *Technical Specifications ZBS B2B - communication standard for exchanging messages between partners and banks*, presentation and amendments for the solution, as well as complete testing of the new versions of ZBS B2B and tests between banks and institutions, were performed by the working group for eStandarde. The working group prepared in November also a specimen of the form "Pristopnica za test in produkcijo - exchange through the ZBS B2B communication interface" and the technical instructions for harmonisation of the ZBS B2B communication interface so that exchanging data regarding elzvršbe through the ZBS B2B interface is also possible.

The Security Forum of the Informatics Committee met in 2014 five times, its standing ask was the exchange of information and hands-on experience in the field of information security. In March, the revised recommendations for conduct of the members the Bank Association of Slovenia were published where there is a suspicion that unauthorised transactions were performed arising from the internet fraud prepared by the Security Forum. In March 2014, the Association signed the protocol on the co-operation between the Bank Association and Police in case of a suspicion of abuse in the field of electronic

banking. In February, the Security Forum delivered a workshop to cast light on the ECB Recommendations for security of internet payments, prepared and harmonised interpretation of these Recommendations at the Association level. In March, we received also the opinions, positions and replies from the Bank of Slovenia relating the ECB Recommendations for security of internet payments.

The working group for PCI DSS held three meetings and addressed the interpretation of the Payment Card Industry Data Security Standard 3.0 (PCI DSS). The working group harmonised the translations of the self-assessment PCI DSS questionnaires and prepared the material for a workshop the Chamber of Trade in May and for the Committee on Card Operations.

The working group for the preparation of security requirements for mobile devices wrapped up its work and in December prepared the final version of the Security recommendations for mobile devices used by banks and savings banks. The recommendations were endorsed at the Security Forum in January 2015.

## **SOCIAL PARTNERSHIP**

Among more important matters handled by the Bank Association in 2014 was the activity concerning collective bargaining, that is, social partnership.

The modifications and amendments to the Collective Agreement of the banking sector of Slovenia were endorsed and the Collective Agreement signed in December 2013 and published in January in the Official Gazette of the Republic of Slovenia. The minimum basic salaries from the pay schedule (KPDb) were aligned in January with the provision of the Collective Agreement.

In mid-June, the Bank Association sent to both trade unions a draft of the new pay schedule with rates of pay to the Collective Agreement of the banking sector of Slovenia since it was in force until 31 December 2014. The draft was prepared by an ad hoc task force and it was endorsed at the Committee on the Collective Agreement and then with a modification approved also by the Supervisory Board of the Bank Association of Slovenia. The Bank Association invited the trade unions to conclude a new pay schedule without changing the wording of the old version, but for six months only (until 30 June 2015). The parties met for the first time in mid-October, several meetings followed and thanks to the flexibility demonstrated by both sides it was agreed eventually to conclude the new pay schedule valid one year. The employers' representatives proposed to sign a statement in which both sides make a commitment to cooperate in the future and to take into account the situation in the banking sector and the representatives of both trade unions concurred. The documents were reviewed and approved at the meetings of the Committee for the Collective Agreement and the Supervisory Board of the Bank Association of Slovenia. The

new pay schedule with rates of pay was signed in mid-December and then it was submitted to the competent ministry to be registered. It was published in the Official Gazette of the Republic of Slovenia before the end of 2014.

The parties to the Collective Agreement failed to reach an agreement regarding the appointment of a person to chair the Committee on interpretation of the Collective Agreement. Therefore, during the year under review, the Committee did not meet.

#### *Committee on the Collective Agreement of the Banking Sector*

The Committee responsible for the Collective Agreement (KPDb) met to address the topics mentioned above and to approve the draft materials for the meeting of the Supervisory Board.

### ***Legal Area***

During the year under review, the experts engaged in legal affairs were responsible to convene the annual general meeting, the regular and correspondent meetings of the Supervisory Board of the Bank Association of Slovenia, the meetings of the Committee on legal matters and the meetings of the Committee on the Collective Agreement of the banking sector, as well as the numerous meetings of the working groups of both committees.

Within the framework of legal affairs, we drafted in co-operation with banks and savings banks a series of initiatives for modifications and amendments to legislation, addressed to the competent ministries and to the Bank of Slovenia and monitored the developments related to legislation. Worth noting are the initiatives for modifications and amendments to the Enforcement and Securing of Civil Claims Act (several proposals), Law of Property Code (revolving credits), Act on Prevention of Late Payments (izvršnica), Payment Services and Systems Act (fiduciary accounts), Financial Collateral Act and novelties made to the Companies Act.

Particularly valuable was the co-operation when comments and proposals referring to the new Banking Act were drafted and the proposal for a new Act on out-of-court consumer dispute resolution.

Many activities were carried out in connection with different interpretations of the implementation of Article 94 of the Tax Procedure Act in practice. The position of the Committee on Legal Matters of the Bank Association of Slovenia was that a bank should have priority to settle its claims from the deposit pledged by its customers (debtor) in favour of the bank (creditor) before the enforcement decision was passed to secure the claim.

As regards enforcing decisions to collect debt, several initiatives were drafted and sent to the competent institutions. One of the most important ones is the initiative addressed to the Ministry of Justice serving to converge the provisions of the Enforcement and Securing of Civil Claims Act (ZIZ) with the Tax Procedure Act (ZDavP-2) by setting a minimum amount for all natural persons and sole proprietors to be excluded from enforcement regardless of the type of inflow. We wrote to the Supreme Court several times to say that by sending enforcement decisions for closed accounts, unnecessary costs are incurred to banks and savings banks.

Acting on the initiative of the Ministry of Labour, Family, Social Affairs and Equal Opportunities and the Association of Centres for Social Work, we met with the representatives of both institutions with the aim to find a way for the introduction of the so-called social account or a similar instrument serving to enable over-indebted individuals whose bank accounts have been blocked to receive social benefits. Despite all the efforts made, no adequate solution was identified.

Up to a point, the Association's legal professionals participated also in a series of activities running within the framework of the activities of other areas and those activities are described in more detail there. It is worth noting, above all, the activities in the field of electronic banking and internet frauds (the protocol signed with Police and the recommendations to the member institutions), the activities in the field of sending court decisions to banks and savings banks to the safe electronic mail box, resolving the dilemmas regarding separate bank accounts for sole proprietors and professionals, the activities in relation to security standard PCI DSS and, last but not least, monitoring the developments for the transfer of the central credit register to the Bank of Slovenia. The legal area was approached to participate also in many activities connected with the ZBS B2B communication interface, from production and upgrade to the security audit.

The beginning of the new term of office of the Settlement Council at the Bank Association of Slovenia was in 2014 with the appointment of its new president Franc Testen cleared before that. With the beginning of the year, the newly appointed president in co-operation with the technical services of the Bank Association of Slovenia prepared an opinion on the set-up of the Settlement Council. The opinion was reviewed by the Legal Committee and it's the findings endorsed. However, to comply with the legal formal and moral and ethical reasons, it was proposed to launch the procedures for modifying the Charter on the work of the Settlement Council. In accordance with that, draft changes and amendments to the Charter were drafted. At the meeting of the members of the Settlement Council of the Bank Association of Slovenia, the draft with the changes and amendments to the Charter was approved as suitable for further procedural steps. The draft modifications and amendments to the Charter were reviewed and endorsed by the Retail Committee and the Legal Committee and

later on also by the Committee on Strategic Issues. The Supervisory Board of the Bank Association of Slovenia approved at its first meeting in June the proposed modifications and amendments and the Charter entered into force as of 1 July 2014 after the member institutions submitted their accession statements.

In connection with the issue of resolving consumer disputes, we met with the representatives of the Consumer Association of Slovenia, but despite all efforts, no agreement on co-operation was reached, that is, their inclusion in the work of the Settlement Council.

The Association received in 2013 the initiative made by Nova Ljubljanska banka for the establishment of the Court of Honour addressed and endorsed by the Supervisory Board of the Bank Association of Slovenia at the end of 2014 and those activities continued last year. A proposal was prepared and examined by the Supervisory Board at its meeting in June when it was decided to approve it subject to minor changes and to propose its approval at the next AGM of the Bank Association of Slovenia. Until then, the Supervisory Board proposed to the member institutions to apply that approach on a voluntary basis.

The legal area designed together with other stakeholders the programmes for theme conferences tailored to meet the needs of lawyers, HR officers and compliance officers held in 2014. As a partner organisation, the legal area participated in the preparations for the 6th Days of Alternative Dispute Resolution with a special section: »ADR in the financial sector in practice«.

## **LEGAL COMMITTEE**

The Committee empowered to deal with legal matters addressed at its meetings held in 2014 a series of highly relevant matters such as the impact of Article 94 of the Tax Procedure Act in relation to the revised Public Information Access Act (ZDIJZ), giving the green light to the modifications and amendments to the Instructions for the execution of decisions to enforce debt collection at banks, modifications and amendments to the Instructions on the procedure for enforcing directly debt collection at the provider of payment services, as well as the modifications and amendments to the Instructions on dissemination of confidential data.

The Committee endorsed the initiative of the Committee for Strategic Matters for a constitutional review and proposed that the three affected banks decide about taking further steps after consulting with the experts for constitutional matters.

In connection with the sale of the foreclosed real property, the banks exchanged their experiences. The members of the Committee also exchanged views on

pledge in favour of the creditor (vinculation) and the initiative of the working group for collateral to merge the land register and the cadastre.

The Committee addressed on several occasions the issues in relation to dissemination of confidential data and a position was formulated about pledging funds on a transaction account and forwarded to the Bank of Slovenia to get the central bank's opinion. The Committee followed closely the activities in the field of restructuring and drafting the Slovenian principles for restructuring corporate debt. The topics for the annual conference of lawyers were confirmed by the Committee members.

The Committee, among other things, formulated its stance regarding the issue of unusual customer operations and operations with accounts opened in a child's name (Human Rights Ombudsman), discussed legislation regulating remuneration for top management in restructured companies in which the state-owned banks are majority shareholders, appropriateness of remuneration for top management, and adopted the position in connection with the initiative to amend the Code of Banking Practice and setting up the Court of Honour.

The Committee approved the positions for the preparation of a credit contract/loan agreement for legal persons prepared as recommendation, that is, tool for member institutions.

*The working group for the preparation of Recommendation with guidance for execution of enforcement decisions at banks* continued work within the framework of the Committee and on several occasions updated the text of the instructions and participated also in making amendments to the listing of purpose codes for payment services and prepared also a specimen of the BON 2 form (data on ability to honour payment obligations). The working group also warned the bodies that hand down decisions that sending decisions in batches is not appropriate. Furthermore, the working group formed a task force to review the EU Regulation creating a European order for payment procedure with the aim to facilitate cross-border collection of pecuniary claims in civil and commercial matters. The task force started to work and its final goal is the preparation of a new change to the instructions, with which the requirements laid down in the Regulation would be incorporated.

*The working group for compliance* followed the developments in connection with EMIR Regulation on OTC derivatives, central counterparties and repositories of closed deals, learned about the novelties in the field of FATCA, opinions were exchanged about CRD 4 and CRR and ESMA guidelines referring to the topic of remuneration policies under the MIFID.

*The working group for the preparation of the Recommendation for the instructions referring to the dissemination of confidential information* updated the instructions in 2013. The working group for the Instructions for cashing in

a debt collection instrument (izvršnica) at its meeting agreed modifications and amendments to the instructions and the sample form for the debt collection instrument. The working group for compliance addressed a number of topics that called upon the members of the working group to exchange their hands-on experiences.

## ***Training Centre***

The activities of the Training Centre of the Bank Association of Slovenia followed the education and training programme reviewed by the members of the Bank Association of Slovenia and endorsed by the Training Committee. The catalogue with the programme of professional and career training was published also on the website of the Bank Association of Slovenia. All training courses were publicised well ahead and amendments and changes to the planned activities were made as required.

In addition, in 2014, we carried out various forms of training: seminars, work-shops, schools, e-learning, distance learning courses, gatherings for professionals, round table discussions attracting as many as 2,513 participants (3,215 in 2013). The traditional programmes in the organisation of the Training Centre of the Bank Association of Slovenia with 1,451 participants in total and 291 training days, there was vivid interest for gatherings and conferences tailored for particular professionals attracting 772 participants from banks, leasing companies and other financial and non-financial institutions and for the new programmes that attracted 558 participants. As regards e-learning, out of 1,062 participants the programmes that tackle anti-money laundering issues continued to attract most students - 598 participants.

Out of 14 events for specific professional with the participation of Slovenian and foreign financial experts from banks, leasing companies, Bank of Slovenia, European Central Bank, Ministry of Finance and other financial and non-financial institutions, also in 2014 the most popular event was the Days of the Slovenian Bankers and the Banking Conference organised together with the conference for leasing companies. The most popular conferences were those about compliance and internal audit, and risks. Following the model used for the conference on treasury and back office issues, we organised in September the joint conference for compliance and internal audit as requested in addition to the Slovenian Insurance Association that signed up a year earlier, also other professional associations such as, for example, the Association of Stock Exchange Members and the Association of Management Companies. In April, in co-operation with Bančni Vestnik, we organised the round table to discuss the topic of the perspectives of the European and Slovenian banking system. Both the Days of the Slovenian Bankers (130 participants) and the round table (62 participants) were hosted by the Bank Association of Slovenia.

In addition to the e-learning courses designed to assist trainees in understanding of money laundering, terrorism financing and reporting obligations, we organised based on the request of the members a training course for health and safety at workplace and fire safety (71 participants) and Information Security at Workplace (393 participants). The Information Security at Workplace was open also to the employees of the Bank Association and the members of the Association's Security Forum. We asked the Security Forum for their expert opinion about amending the programme and informed also the outsourced company. The e-material for the Information Security at Workplace from May last year will be available also in 2015 against the licence fee payment. Out of 28 e-learning courses in 2014, we realised 23 in 493 days (several training courses were running simultaneously).

An integral part of all training programmes in the e-learning format is also a final examination. The test was conducted also where trainees were in the classrooms. During the year under review, 148 candidates took the exams at the end of the Banking School (10), Payment Services (16), Banking Operations (11), Foreign Exchange (33) and Checking fitness and authenticity of cash (78). Since learning about fitness and authenticity of cash is an integral part of learning about foreign exchange, the qualification for checking fitness and authenticity of cash was recognised to those who completed the course for foreign exchange transactions.

The training programmes organised as schools: Banking Operations, Banking School, Payment Services and Financial Analysis of Companies, attracted 67 participants in 2014. Ten trainees completed the third part of lectures and exams at the Banking School in January and in October and November, the first and second block of lectures was held for 17 trainees who completed training in January 2015. During the spring and autumn rounds of the four-day Payment Services programme, the programme was completed successfully by 16 participants. Since it is a complex programme with many speakers and based on the number of participants, we believe it should be organised once a year.

The Banking Operations programme was completed successfully in 2014 by the second generation of trainees who prepared themselves for the European Foundation Certificate in Banking – EFCB on the basis of the material with self-learning and four consultations. This approach makes the training course easier to get to a wider circle of employees and, above all, it provides so much needed flexibility since trainees decide when and where to study. The Association's Banking Operations programme has replaced training for entry-level bank employees. It introduces the foundations of banking and it is highly recommended to all new employees, particularly if their formal education is not in banking. Those who enrolled in this programme could also enrol in the Anti-money laundering e-programme also highly recommended to all the employees in banks and leasing companies.

During the year under review, we launched eight new programmes in 13 versions. The highest interest was shown for the e-programme Information Security at Workplace. Other programmes delivered for the first time in 2014 include: Creditor banks and new insolvency legislation - economic and legal aspect, Slovenian principles for financial restructuring, Analysis of plans and cash flows in companies, Methods for detecting and investigating fraud in financial institutions, Cashing in domiciled bills of exchange at banks, Personal bankruptcy procedure and the role of banks, Legal and procedural position of a bank in insolvency procedures. Responding to the initiative of the members of the Bank Association of Slovenia for training in the back office area, we prepared in co-operation with DC Gardner from London and published twice a call to attend the course held in English: »Bank Operations Management: Best Practice Middle and Back Office Operations«, but due to few applications, the course was not held.

In 2014, we organised customised training for two Association's members: Abanka Vipava d.d. and Banka Sparkasse d.d. and the workshops about new insolvency legislation for the Bank of Slovenia in January 2014. Collaboration with the Bank of Slovenia was very good and we also organised several seminars. The proactive role of the representatives of the central bank was particularly appreciated at technical meetings where professionals discussed legislative changes and the regulator's views and expectations for the implementation of novelties could be heard.

The programmes carried out by the Training Centre of the Bank Association of Slovenia are recognised by the Slovenian Institute of Auditors as supplementary training for employees to extend or keep their licence in the field of accounting, audit, corporate finance, IT systems and taxes. Participants and lecturers personally file a request with the Institute to get credit points complete with the certificate on attendance and the syllabus. At the end of 2014, we met with the representatives of the Internal Audit Committee, Expert Council of the Slovenian Institute of Auditors and the Agency for Public Oversight of Auditing to identify and formulate a more appropriate solution to the current system of the Slovenian Institute of Auditors for recognising training at external institutions. The seminar about the issue of storing documentary material in banks with the emphasis on electronic archiving gets credit points from the Archives of the Republic of Slovenia in accordance with the Rules on professional skills of the entities under public law employees and providers of equipment and services dealing with documentary material. The practice in place at the Archives of the Republic of Slovenia to award credit score to the training course before the course is held is in our opinion appropriate also for scoring credit points by the Slovenian Institute of Auditors, since that used to be practice also in the past.

The head of the Training Centre of the Bank Association of Slovenia attended in June the meeting of the Committee on Occupational Standards at the Centre of the Republic of Slovenia for Occupational Education where, among other

things, it was proposed that banks should continue to carry out the activities in connection with audit professional standards for banking.

We attended in 2014 two meetings of the members of the European Banking & Financial Services Training Association and the meeting of the members of the European Banking Federation, which participate in the project »European Money Week«, designed to boost public awareness on financial literacy. The banking associations will carry out activities in all participating countries between 9 and 13 March 2015. The Bank Association of Slovenia will invite its members, other financial services associations, Bank of Slovenia, representatives of educational institutions and other stakeholders to co-operate in the field of financial education.

### **TRAINING COMMITTEE**

The Committee reviewed the planned activities and the realisation of the programme conducted by the Training Centre, made suggestions to amend the programme and approved the Training Programme Plan for 2015. Among other things, the Committee approved the proposal of the working group for audit professional standard "Referent v bančni komerciali" (bank officer in bank commercial unit), submitted to the Centre of the Republic of Slovenia for Occupational Education. The working group will continue with the preparation of the proposal to revise the remaining three banking standards in 2015.

The Training Committee also looked into the project task to define the occupational standard for "Blagajnik" (teller). The members of the Committee learned about the survey and the respondents' answers about defining the occupational standard ranging from tellers, heads of business areas, personnel departments, working groups of the Bank Association of Slovenia, as well as the Bank of Slovenia. The representatives of the Committee who were engaged in the technical aspect of the survey proposed to present the final results of the tasks at one of the following Committee meetings.

The Committee discussed also the transition from the traditional to electronic surveys, the importance of obtaining evaluations of the training programmes in order to deliver quality learning, as well as the importance for lecturers to know what the structure of the course participants is. Not only defining the target group when applications for a course are invited, but knowing what the actual structure of the participants is, which area they come from and at what workplace in a bank they work – it all could contribute significantly to more successful and better quality carrying out of the training programmes.

Based on the Committee's proposal, a conference of personnel officers was organised in March. The idea was to discuss the changes promulgated in the Employment Relationship Act and the changes in the collective agreement for

the banking sector, top management remuneration policy and presentation of best practices in developing and implementing competency models in banking. Within the framework of the conference, the director of the Bank Association of Slovenia awarded the European Foundation Certificate in Banking«.

During the year under review, the Training Committee got a new member. Nova Ljubljanska banka d.d. appointed Ms. Sonja Veber Mihor as the Committee member instead of Ms. Saša Fajmut, head of the Training Centre of NLB d.d., due to her lengthy absence. The four-year term of office of the Committee members expired in December and the members of the Bank Association were invited to nominate their members for the Committee for the new term. The Supervisory Board of the Bank Association should decide about those nominations most probably in March 2015.

### ***Bančni Vestnik***

At the beginning of 2014, the authors writing for *Bančni Vestnik* took under the looking-glass the beginning of bank rehabilitation and their recapitalisation. We saw that capital adequacy of the recapitalised banks improved significantly and, on the other hand, we wanted an answer to the question whether it will increase also the dynamics of lending by commercial banks. As already seen early in the year, the confidence shown by financial markets in the cleansed banks rose significantly and the same applied to the government credibility, since yields on the Slovenian long-term government bonds dropped significantly. The recapitalised banks improved their operating results in the first half of 2014 and even made some profit, but due to still very high portion of non-performing loans of all bank loans, those banks had to form new provisions and impairments in the second half of 2014. The entire Slovenian banking system posted in the third quarter a minimum gross profit and around 6% return on equity. The banks' balance-sheet assets continued to shrink last year and lending to non-financial companies also declined. In the interview with the governor of the Bank of Slovenia Dr. Boštjan Jazbec we explained the methodology serving to conduct the stress tests at the selected Slovenian banks, why the costs for carrying out those tests were so high and how the so-called bail-in principle for bank rescue would have been implemented in our banks.

During the year under review, we were faced once more with the fact that particularly for state-owned banks, the non-performing loans were the most serious problem and restructuring the largest companies was of the paramount significance for financial soundness of banks. New solvency legislation enabled all stakeholders to take steps in advance, to set up company restructuring and to identify solutions by compromising. The ever-increasing role in the course of financial, business and shareholding restructuring of companies was played by the Bank Asset Management Company. As the months passed, business confidence improved against that backdrop after economic growth picked up

and the bank consolidation processes continued. The European Commission and the IMF staff invited us to continue with privatisation of the state-owned banks and enterprises, but the opposition to fast-track privatisation being more of a fire sale strengthened in the domestic political environment. The scheduled privatisation and sale of NKBM was not realised due to shrinking of its total assets and the process of rationalisation of operations of state-owned banks continued.

In the first half of 2014, we organised the round-table discussion by inviting papers from renowned authors about the perspectives for the European and Slovenian banking including the representatives of the ECB, European Banking Federation, Bank of Slovenia, commercial banks and economists. At the "live" conference there was a vivid discussion about the ever-increasing the European regulatory framework being a burden suffocating normal bank operation, single bank supervision that at the end of the year came under the auspices of, the European Central Bank, and the problems faced by the peripheral countries and credit institutions. It was revealed that the bail-in tool for bank rescue was used only in certain cases, that there are double standards in the EU and that credit institutions of smaller Member States are in a far more difficult position than large banks. Egon Zakrajšek, monetary experts of the Fed, stressed in the interview for *Bančni Vestnik* that bank assets contraction is not the right way to rescue Slovenian banks and their development potentials. Nevertheless, the Slovenian practice showed that the banks' balance sheets were overblown and that the double-dip recession had a major effect on bank operations. The ECB helped the Slovenian banks to maintain high liquidity; credit risk management and a high share of non-performing assets are the problems that cannot be resolved over a short period of time.

In the journal we illustrated the situation in the Slovenian companies saddled by enormous debt burden and with insufficient shareholder funds. The specialists for company restructuring explained based on a comparison of financial indicators for the Slovenian and European enterprises and industries that fast deleveraging of the Slovenian real sector is painful but unavoidable. The chairwoman of the Board of Directors of SKB banka Cvetka Selšek stated in the interview that we needed foreign capital and foreign investors and they would come only if the social climate was favourable. The figures for the share of foreign direct investment show that we failed to achieve that goal and that current economic growth is uncertain. Our businesses and banks general too low profits on average, they lack innovative spirit and their equipment is technologically obsolete in many cases. On the other hand, income risk is rather high in banks, the question remains how will banks clinch new deals when they are withdrawing from foreign markets.

In the international issue of *Bančni Vestnik*, Slovenian and foreign authors wrote about the woes of diminishing bank lending and meagre growth of the economy. The representative of the ECB presented at the annual gathering

of the Slovenian bankers the basic instruments of unconventional monetary policy, the representative of the International Monetary Fund cautioned about volatile economic growth when banks' lending dynamics lacks momentum. We heard that banks must lend to domestic enterprises in order to achieve a long-term economic prosperity. Other authors underlined in their papers how important the development of the Slovenian financial market is. We should mention that in Slovenia, businesses largely depend on bank lending. Also the monetary policy of quantitative easing does not help the Slovenian banks and, consequently, the real sector much, since despite relatively high liquidity in banks, bank loans are not easier to get. According to the representatives of the European Banking Federation, structural changes should take place in the European and the Slovenian banking system, credit institutions should change and modernise the existing business models. As regards financial leverage, banks should deleverage, bank loan dynamics should depend more on deposits gathered from bank customers.

In the monthly issues of *Bančni Vestnik* we gave plenty of space to the conferences on insolvency legislation, the legal aspects of banking operations, the speech given by member of the Executive Committee of the European Central Bank Benoît Coeuré-a, the implementation of the fiscal rule in Slovenia, the meeting of governors from the Southeast Europe, as well as to other relevant international conferences. We were interested in the view the new president of the Supervisory Board of the Bank Association of Slovenia Giancarlo Miranda had on the outlook for the Slovenian banking sector, the most important structural challenges of economic policy seen from the angle of the Bank of Slovenia, and the IMAD's forecasts for economic growth in near future. We reserved space to report on the BAMC's positions regarding large enterprise restructuring, the conference dedicated to bank risks management, the developments in the field of payment cards and professional training activities of NLB. In the December issue, we published a short analysis of sound economic growth and inadequate bank support to Slovenian businesses through lending. According to bank experts, the condition for offering to lend more is a high rate of economic growth and not vice versa. We published an interesting article about the customers of Ljubljanska banka and about the ruling of the European Court for Human Rights saying that the Slovenian government must repay their foreign-exchange savings. Many authors of the papers published in the journal were critical also about the European stress tests, above all due to the disputed methodology and the established minimal shortfall in regulatory capital at NLB and NKBM.

We also paid attention to a new macroprudential indicator and the first experience and dilemmas in connection with it. We cast light on the legal arrangements in Slovenia regarding sensitive insider information in banks and we reported in detail about the discussions during the two days of the annual meeting of the Slovenian bankers.

The Editorial Board of *Bančni Vestnik* was busy early in the year selecting the topics to be elaborated in 2014 and the editorial policy guidelines. During the discussion it was underlined, among other things, that corporate governance in the Slovenian banks is weak and that certain bankers did not respect the fundamental rules of efficient bank risks management. We heard the opinion that what we had to deal with was a systemic problem of banking risks, since the banks had too large and too concentrated exposure to domestic customers. At the same time we agreed to publish in the journal also more positive examples of best banking practice.

The Editorial Board learned that in co-operation with NUK steps will be taken to include *Bančni Vestnik* in Scopus, abstract and citation database of peer-reviewed literature. The database is compiled by the biggest publisher of international scientific literature Elsevier B. Inc. and it features smart tools to track, analyse and visualise research. Scopus entries are indexed in global indexing tools for detecting information such as EBSCO EDS, Primo or Summon. The members of the Editorial Board concurred that the possibility to include *Bančni Vestnik* into the academic journal database (Association of Business Schools) was to be taken into consideration as well.

The purpose for including the Slovenian journal into Scopus is to gain more high quality academic papers to be published in the section containing scientific and/or professional articles. Due to the criterion that the journal and articles should be accessible to a wider international research environment, it was proposed to provide free access to all articles in the English language traditionally published in a special international issue of *Bančni Vestnik*. The task was fulfilled at the end of 2014 and now a wide circle of professional public has free access to more important articles published in English.

Another piece of relevant information was that the Supervisory Board of the Bank Association of Slovenia approved the revised Editorial Board's internal acts: Decision to Publish *Bančni Vestnik* and the Rules on Editing and Publishing of *Bančni Vestnik*.

During the year under review, the Association's management approached the management of the Slovenian Insurance Association to join forces to publish and finance the journal but in vain. It was proposed to the Bank of Slovenia to increase its annual donation for the journal in 2015 but the proposal was turned down. The members of the Editorial Board were informed about cutting the Association's operating costs across the board and the publishing activity is just one of many Association's activities. An agreement was reached to draw new directions for the journal's editorial policy for the forthcoming period if necessary, after approving the financial plan for 2015.

## WEBSITE AND PUBLISHING AND PR ACTIVITIES

During the year under review, we edited and maintained the national SEPA web pages ([www.sepa.si](http://www.sepa.si)), its public website ([www.zbs-giz.si](http://www.zbs-giz.si)) and the extranet of the Bank Association of Slovenia ([info.zbs-giz.si](http://info.zbs-giz.si)).

Throughout 2014, we provided support for the entire activity of the Bank Association of Slovenia and its working bodies. We published and edited on a regular basis the listed websites and most activities were directed to the extranet designed to serve the internal banking public. Every Thursday we prepared for the users of the Extranet – the employees of the members of the Bank Association the bulleting ZBS eBilten. We published 38 issues with a summary of the activities of the Bank Association in one week followed by a short overview of what was published both on the public website of the Bank Association of Slovenia and on the websites of the domestic and foreign financial institutions. During the year under review, we also carried out a revision of the content of all SEPA web pages.

We published the Annual Report of the Bank Association of Slovenia for 2013. Within the framework of the PR activities of the Bank Association of Slovenia we took care of reactive communication with the public, that is, the media. In co-operation with the expert departments of the Bank Association and the PR representatives of our members we organised, prepared and agreed answers to the questions of journalists. We participated in the preparation of messages for the public by the Bank Association and fostered proactive communication with the general and professional public by updating the rule for the safe use of payment cards and other notices for the public. We published 14 notices for the public. We prepared a PR conference with the gathering with the representatives of the media as an educational event. We introduced on the public website a new section Bančni Vestnik: Special Issues of Bančni Vestnik in English - free downloads where we publish e-versions of the special issues of the journal in the English language so that both the Slovenian and foreign users can download them free-of-charge. We provided on a regular basis for adding the content to the electronic archives - eAhiv with electronic articles from Bančni Vestnik. We took part in publishing a leaflet about FATCA.

### *Leasing Area*

One of the most important on-going tasks in the leasing area is to raise the visibility and understanding of that activity as a financial activity. In that area also during 2014, the positive trend continued. Some progress made in terms of higher visibility and recognition of the leasing activity as a separate form of financing is demonstrated at the additional key players such as the Ministry of Economic Development and Technology in relation to the changes in consumer legislation. In the leasing business we witnessed considerable reorganisational

changes at some members such as Hypo leasing, RCI Banque Podružnica Ljubljana entered the market, other members announced that they would bow out and wind up operations, and talks were held with potential new members. Proper understanding of the mechanisms at work when specific characteristics of repayments in the leasing business are encountered, particularly in relation to repossessing the objects of lease agreements, asked for clarifications and it was the case with the property of Štorman after going bankrupt. The case had to be monitored all the time and steps had to be taken to ensure correct reporting by the media by providing timely clarifications about the specific characteristics of the hotel and restaurant business. We established the contacts and met with the representatives of the Slovenian Insurance Association to exchange views on some questions and agree further steps, since in that area we are most keen to establish fair practice known beforehand and predictable of all parties involved.

Motor vehicles are the most important segment of the leasing business in Slovenia and elsewhere in Europe and monitoring the situation in that area and changes to relevant legislation is of key importance. The modification to the Motor Vehicles Act was once withdrawn from the procedure in the National Assembly and then it was submitted once again and proposals and amendments were submitted. In the course of the preparation of the modification to the Act of rules in road transport, amendments were proposed to Article 23 of the Act, which hastily encroaches on the right of ownership of leasing companies when motor vehicles are repossessed; the president and the head of the leasing area participated actively in the work of the Commission of the National Assembly for infrastructure. The procedure was elaborated and finally implemented for »two active chassis protocol«. With the competent ministry a review of the issue of exchanging data for vehicle ownership was agreed. A special issue was raised in relation to insurance companies about »practice in executing insurance contracts« with leasing companies, where a lease holder is stated in the vehicle registration certificate as the user and his liability arises from it. Another issue to be addressed and currently in the negotiating phase are the internet services for pledged/seized vehicles at AJPES. Subsequently, once the Internet-based service has been successfully wrapped up, the procedure will be started once again to set up web services at the ministry responsible for transport.

In the field of the prevention of money laundering and terrorist financing meetings were held with the provider of the technical platform for the activity with regard to the parameters for further automation of the AML process. Consequently, the automated »repeated customer due diligence« was introduced, as well as the automated initial customer identification process for AML purposes. The Training Centre of the Bank Association of Slovenia in co-operation with the member institutions prepared and offered to leasing firms the training module »AML e-learning for leasing companies« and these companies also use it. The module should be upgraded also for credit intermediaries. The Office for

Prevention of Money Laundering was approached to answers some questions, above all concerning credit intermediaries. A meeting was held at the Office to look into the AML-related matters. Remarks were addressed to Leaseurope about too high fines under the planned new Anti-Money Laundering (AML) Directive.

In the tax area the centre stage problem was the tax levied on real estate of higher value (Article 60 of the Implementation of the Republic of Slovenia Budget – ZIPRS) where, provided that leasing companies are not taxpayers, if a finance lease is entered into the records kept for real property (Real Estate Market Register – ETN) it becomes unclear how to enter finance lease of real property into the records without treating the leasing company as the taxpayer. In line with the agreement reached with the Surveying and Mapping Authority (GURS), the matter was resolved. For the sake of databases, the matter is again on the table both in the Real Property Tax Act (ZDN) and also ZIPRS 1415. Moreover, the activities were carried out in relation to the draft and implementation of the regulation »Financial services tax« where leasing companies are taxpayers. Another issue that had to be addressed was taxing credit intermediaries since the tax base is now lower than it was in the first opinions of the Tax Administration of the Republic of Slovenia. As regards the issue of (additional) VAT charge after selling repossessed objects of lease agreements, the Tax Administration of the Republic of Slovenia issued the opinion that largely follows our proposals. The Act on real property tax was promulgated and then annulled and there we managed, as well as with ZIPRS 1415, to keep in finance lease agreements the leaseholder as the taxpayer. Another issue we raised was the impact of the additional tax on luxury vehicles on car sales and tax revenue. The reply of the Financial Administration of the Republic of Slovenia (FURS) was that, in their opinion, and it should be confirmed also by the statistical data, no negative consequences of the levied tax were recognised. That opinion regarding cancelling lease agreements and VAT was in line with our agreements.

Reporting to the Bank of Slovenia was running smoothly. We asked the Bank of Slovenia to start sending us the agreed analysis on the basis of reporting, but their reply was that due to various reasons they were not able to do it for the time being. Some of the reporting data could be found in the Financial Stability Report 2013. We met with the representatives of the Bank of Slovenia to discuss the intentions for examinations by the Bank of Slovenia in the course of macroprudential supervision where the Bank of Slovenia has express power over leasing deals and we got an informal reply saying that no particular activities were in the pipeline for the time being.

The lion's share of the financial activity just like leasing was largely busy looking into non-performing investments from the past and their restructuring. Claims arising from finance lease agreement could be, just like claims arising from other financial operations, included in autonomous »preventive restructuring«

without restructuring trade receivables where it is possible to extend statutorily maturity dates – something leasing companies find to be problematic since the value of the object of the lease agreement declines and it is at the same time security and, consequently, the value of collateral falls.

In connection with consumer crediting (Act Amending the Consumer Credit Act - ZPotK-1), after several years of different practice, the Market Inspectorate of the Republic of Slovenia embraced again and the Ministry of Economic Development and Technology for the first time, the position that it is necessary to compare effective interest rate (EOM) of non-banking providers of services with »upper EOM limit« of banks, which means lower permissible EOM of non-banking initiators. We prepared a grounded proposal for a solution based on law as we see it and it was presented to the Ministry of Economic Development and Technology, Market Inspectorate and the Bank of Slovenia designed to serve as a basis for converging positions. However, the effort fell on barren ground. When the consultative phase for amending the Consumer Credit Act (ZPotk-1) was launched, we proposed additional changes in on top of those drafted by the Ministry for Economic Development and Technology, and we clearly demanded to remove the requirement for relicensing since it would be yet another bureaucratic obstacle. The changes were not taken into account and the Ministry for Economic Development and Technology additionally tried to impose new conditions affecting credit intermediaries also for »credit intermediaries in ancillary functions«, which would be a hard blow to the operations conducted by leasing companies. After intensive correspondence with the Ministry of Economic Development and Technology and our contacts also with the Slovenian Chamber of Trade, it was agreed to discard all changes as laid down in the new Rules. Due to alignment with the European Directive, the procedure to change the Consumer Protection Act (ZVPot-F) was launched. We used the opportunity to propose dealing with the previously raised issues in connection with guarantees/warranties for second-hand vehicles, liability of leasing companies for defects of leased objects, etc. We received feedback information saying that under our concept of liability of leasing companies for defects on goods makes sellers expressly liable and not leasing companies.

The statistical report was expanded by adding a line for several years »time series« of monitoring the activity, and no need for other changes was expressed during the year neither by the members, nor by Leaseurope. Nevertheless, at the end of the year, given the external circumstances and changes at the members, it was decided to study the changes in statistical reporting.

In the international area the co-operation continued particularly with Leaseurope by making proposals for draft European legislation and filing statistical reports. Additional communication went on with some of its members (Austria, Italy, Germany) about the comparison of introducing legislation based on European directives and attempts of certain Member States to introduce »higher standards/golden plating« - usually unfavourable for stakeholders.

We consulted about the requirements for credit intermediaries (in ancillary functions). As regards solutions offered in consumer legislation, we got in touch with our peers from Austria, Serbia, Croatia, Italy, and their responses helped us to identify fair solutions for leasing eventually proposed in the process to introduce changes to consumer legislation. As guests we participated with a paper in the event: Days of Serbian Leasing.

The Days dedicated to leasing business were co-organised together with the Days dedicated to bank with colleagues from the banking sector on 12 and 13 June 2014 in Portorož. The participants had the opportunity through televoting to interact with the keynote speaker. After some members raised the question of the concept of the event – with or without the members from the banking industry – the issue was raised at the meeting of the Committee for leasing business and it was agreed to organise the event together also in the future.

### **SETTLEMENT COUNCIL AT THE BANK ASSOCIATION OF SLOVENIA**

During the year under review, 23 complaints were addressed to the Settlement Council. In 13 cases the banks responded before 1 July and the procedure was refused on the basis of the then effective Charter by handing down a decision without conducting any procedure since the banks stated in writing that no settlement or dispute resolution was possible. Out of the remaining 10 complaints, the president of the Settlement Council rejected one since it a decision was passed twice on that matter and on both occasions, the procedure was suspended, although it happened for the first time two year before and the president ruled that the 6-month deadline stipulated in Article 8 of the Charter had expired. Two cases were left to be examined in 2015.

The hearings for seven cases were held on three occasions: 23 September 2014, 24 October 2014 and 20 November 2014. Two cases were settled and one case was since the bank fulfilled the claim and the complainant had no legal interest after that. In four cases the parties failed to agree amicably to resolve the dispute; hence, the Settlement Senate suspended the procedure and issued a written grounded opinion about the dispute.

<b><i>Number of complaints received in 2014</i></b>	<b>23</b>
Procedure suspended without examination	13
Rejected/refused	1
Mutually agreed dispute resolution	3
No agreement – opinion	4
Brought forward to 2015	2

In addition to the aforementioned activities in connection with the preparation of draft changes to the Charter on the Establishment and Work of the Settlement Council, the president carried out also the following activities:

On 13 February 2014, at the head office of the Bank Association of Slovenia a meeting was organised with the members of the Council – bank representatives to examine the draft changes to the Charter. The representatives of banks endorsed the proposed resolution and made a few remarks, which were taken into account in the final proposal of the text of the Charter.

On 13 June 2014, the president of Settlement Council attended the Banking Conference at Brdo at Kranju with the paper about the new framework for the work of the Settlement Council at the Bank Association of Slovenia.

On 3 October 2014, the director of the Bank Association of Slovenia Dr. France Arhar, the legal adviser Novica Novaković, and the president of the Settlement Council Franc Testen attended the meeting with the representatives of the Slovenian Consumers' Association Breda Kutin and Živa Drol Novak. The representatives of the Slovenian Consumers' Association made some comments regarding the legal arrangement of the procedure before the Settlement Council and expressed their readiness to include the ZPS in the work of the Settlement Council. No agreement was reached, however, about granting an exclusive status to the Slovenian Consumers' Association as a representative of consumers' interests in the work of the Council.

On 10 October 2014, the president of the Settlement Council took part in the conference 6th Days of Alternative Dispute Resolution with the paper that outlined the organisation and work of the Settlement Council at the Bank Association of Slovenia.

## INTERNATIONAL ACTIVITY

During the year under review, international co-operation was running mostly within the framework of the European Banking Federation where we were proactive participants in the meetings of the Executive Committee. In the European Banking Federation (EBF), we continued to take part in the work of several committees: for monetary matters, for financial markets and for tax matters.

Our co-operation with other international associations such as LeaseEurope, International Chamber of Commerce (ICC) and the ICC Commercial Crime Services (CCS) was focused above all on attending the annual assemblies and theme meetings.

Our Training Centre also continues to operate intensively within the framework of the European Bank Training Network (EBTN).

The Association's representatives also participate in the ICC Banking Commission and the ICC dispute resolution under the DOCDEX rules.

## **SLOVENIAN SWIFT GROUP**

Within the framework of the regular activities, the Slovenian SWIFT group organised the meetings of the user working group and kept abreast of the developments in the area of SWIFT services and changes to the relevant standards (ISO20022) in payment systems. The activities in relation to the expansion of the use of SWIFT in Slovenia continued, above all for the needs of T2S (TARGET2 Securities) and the implementation of the Strategy SWIFT 2015.

At the end of 2014, the SWIFT Committee was established within the framework of the Bank Association of Slovenia.

## **Members of the Bank Association<sup>2</sup>**

Abanka Vipava d.d.  
 Banka Celje d.d.  
 Banka Koper d.d.  
 Banka Sparkasse d.d.  
 BKS Banks AG, bank branch  
 Delavska hranilnica d.d.  
 Deželna banka Slovenije d.d.  
 Factor banka d.d.  
 Gorenjska banka d.d.  
 Hranilnica in posojilnica Vipava d.d.  
 Hranilnica Lon d.d.  
 Hypo Alpe-Adria-Bank d.d.  
 Nova Kreditna banka Maribor d.d.  
 Nova Ljubljanska banka d.d.  
 Poštna banka Slovenija d.d., banking group of Nova KBM  
 Probanka d.d.  
 Raiffeisen Banka d.d.  
 Sberbank banka d.d.  
 SID banka d.d.  
 SKB banka d.d.  
 UniCredit Banka Slovenija d.d.  
 Zveza bank, Celovec

### **LEASING COMPANIES**

Aleasing d.o.o.  
 Daimler AC Leasing d.o.o.  
 DBS Leasing d.o.o.  
 Hypo Leasing d.o.o.  
 KBM-Leasing d.o.o.  
 NLB Leasing d.o.o.  
 Porsche Kredit in Leasing SLO, d.o.o.  
 Probanka Leasing d.o.o.  
 Raiffeisen Leasing d.o.o.  
 RCI Banque Slovenia, bank branch  
 SKB Leasing d.o.o.  
 Sparkassen Leasing d.o.o.  
 Summit Leasing Slovenia d.o.o.  
 UniCredit Leasing d.o.o.  
 VBKS Leasing d.o.o.  
 VBS Leasing d.o.o.

<sup>2</sup>As of 31 December 2014.

### ***The team of the Bank Association<sup>3</sup>***

Dr. France Arhar, *Director*

Irena Vodopivec Jean, M.Sc., *Deputy Director*

Jelka Vydra, *Head of Secretariat*

Novica Novaković, *Head of Legal Office*

Mateja Lah Novosel, *Head of Retail Banking Area*

Borut Tomažič, *Specialist for Payment Services and Money Markets*

Boris Bajt, *Head of Leasing Area*

Aleksandra Žibrat, *Editor of Special Publications and website, PR Coordination*

Azra Beganović, *Administrative Clerk*

### **BANČNI VESTNIK**

Emil Lah, M.Sc., *Editor-in-Chief*

### **TRAINING CENTRE**

Viljenka Markič Simoneti, *Head of Training Centre*

Irena Lavrič, *Training Associate*

Mojca Novak, *Training Associate*

Bojan Butolen, *Training Organiser*

<sup>3</sup>The composition as of 31 December 2014.

