

ANNUAL REPORT 2020



ZBS¹ Združenje bank Slovenije



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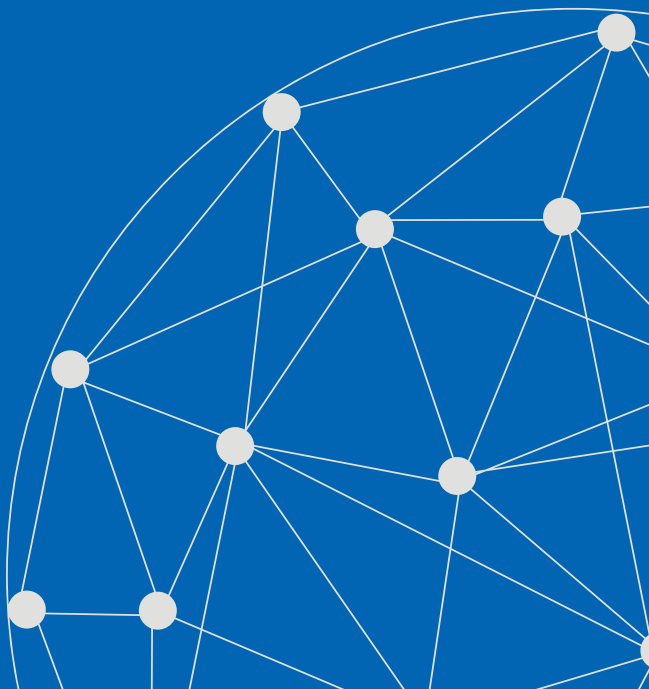
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for the Financial Year 2020



ZBS¹/Združenje bank Slovenije

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Statement by the Chair of the Supervisory Board

In the beginning of 2020, the global economic uncertainty experienced across the business environment also in 2019 continued, coupled with low, that is, negative interest rates and increasing surplus liquidity, amid feeble and unreasonable additional restrictions on credit demand, exacerbated competition, surging costs for delivering regulatory compliance and reporting requirements, as well as the rising urge for fast-paced technological development of the banking sector.

From March onward, the measures to protect health and the unforeseen uncertainty brought on by the outbreak of the COVID-19 pandemic have totally changed operations of practically all sectors of economic activity in Slovenia, Europe and across the globe.

The banking sector responded to the challenges brought on by the pandemic immediately and highly efficiently. As a building block of Slovenia's critical infrastructure, it had to ensure to the real sector and households seamless provision of financial services while protecting health of its employees, as well as of its customers. The banking sector, however, faced the start of the crisis in a much better shape in terms of capital and liquidity than it was the case when the 2008 crisis broke out. Consequently, credit institutions were in a position to prop up the key parts of the local economy confronted with the expected liquidity challenges decisively and insightfully by providing lines of credit for financing working capital ahead of the adoption of the national and European measures designed to mitigate the adverse consequences of the COVID-19 pandemic on the Slovenian economy.

At the Bank Association of Slovenia, we responded instantly to the emerging crisis also by submitting to the Government of the Republic of Slovenia and the Bank of Slovenia the proposals for concrete measures designed to mitigate the negative effects of the COVID-19 pandemic and maintain creditworthiness of the economy being aware of the temporary nature of the negative consequences caused by the measures imposed to protect the health of the customers, which for a while disrupted the usual dynamics of economic activities.

There is little doubt that since March 2020 the banking environment has become far more demanding. In the context of COVID-19, the adverse effects on demand for credit by households resulting from the adoption of the unreasonable and quite arbitrarily limiting macroprudential measures squeezing household credit intensified further. Due to overall uncertainty associated with the duration of the COVID-19 pandemic and its impact on economic activity and employment, households curbed spending further, whereas other economic actors postponed most investments.

Consequently, in the course of 2020, household deposits, as well as deposits of other economic actors surged further even exceeding 12% according to the data gathered by the Bank of Slovenia, as opposed to the flat line of credit growth and even a nose-dive in certain segments of borrowing. Added to this, investments in the instruments issued by low-risk issuers such as sovereigns or the most successful global incorporations also bring practically nil, that is, in case of the least risky issuers, negative yields. Considering surging excess liquidity for which banks have to pay high fees charged on account balances by central banks on top of the already mentioned weak demand for credit and being exposed to a further decline in net interest margins and return on equity, they are faced with the challenges to business sustainability.

Already before the outbreak of the COVID-19 pandemic, the national supervisor for the Slovenian banking system, as well as the European one for the European banking system, assessed income risk as elevated, mostly attributable to an environment of persistently low interest rates and falling expectations that the conditions in which banks would be able to generate net interest income. The situation created by the Coronavirus pandemic

and even higher excess liquidity in the Slovenian banking system as one of its consequences due to rising deposits and regulatory restrictions imposed on retail lending coupled with low investments of the economy, further exacerbate that risk.

To operate at such low margins and return on equity rates well below 10% is harmful for the banking system in the long run since it hinders access to new capital on the market in case of need. As a result, the banking sector is forced to look for other possibilities, which in turn will lead to higher fees banks charge for the services provided to retail customers in relation to their accounts.

Notwithstanding the fact that the Slovenian banking environment is awash with liquidity and, as such, practically independent from international financial markets making it very difficult to spot adequate opportunities for investment, the Bank of Slovenia has been translating the ECB's measures, which are largely channelled to liquidity and also to stimulating lending activity, on the other hand, its measures taken at the national level are rather contradictory. Take the targeted longer-term refinancing operations (TLTROs) for example. They are Eurosystem operations that provide financing to credit institutions. Long-term funding at attractive conditions serves to preserve the volume of consumer loans and, in turn, of private spending. A few banks have used this instrument. However, due to unique and consequently hard to understand macroprudential restrictions not found elsewhere, here it is not the case – hence we are witnessing continuing radical pressures on net interest margins, lending decisions made by the treasury and unsustainable in the long term in that they constitute rather obvious effects of a liquidity trap. The matter of the fact is that the increasing liquidity does not find a way to increased investment or spending but it is accumulated in savings, that is, reflected in extremely low interest rates at a given volume of lending operations.

In addition to the above-mentioned material inconsistency between the ECB and the Bank of Slovenia measures, we have also observed other unexpected phenomena. On the one hand, the measures are blatantly discriminatory vis-à-vis commercial banks as they limit only them and not, say, leasing companies and third providers of consumer financing. On the

other hand, by raising statutory minimum earnings in the Republic of Slovenia, the creditworthiness of its residents is decreased further, and it is utterly absurd. In addition, one of the most appropriate and professionally justified, as well as time-tested practice for consumer lending in Slovenia by regular monthly repayments of obligations is shifted to card-based solutions and overdrafts on transaction account – a practice seen by banks as a professionally and by consumers as economically inferior solution.

On top of all that, against the backdrop of extraordinary emergency savings measures including restrictions on personal income, to us in the banking sector it came as a great surprise that the Bank of Slovenia raised certain fees charged to banks within the framework of the central bank's supervisory activities and access to credit registers.

It is also necessary to add that over the past few years several large banks on the market changed owners, the evaluation model was based on retail lending. There is no doubt that quite unexpected and professionally insufficiently justified restrictions have encroached on legal capacity and thus on the value of their assets and, at the same time, have considerably dented Slovenia's credibility as (un)predictable business environment – not really helpful to banks seeking to tap the capital markets.

Finally, the strongest attribute of the unusual nature of the present regulation of the banking sector operations is the complete absence of a qualified and argument-based structured dialogue between the Bank of Slovenia and commercial banks. The most indicative demonstration of this is the fact that throughout the crisis year 2020, the Governing Board of the Bank of Slovenia held only two meetings with the representatives of commercial banks' management and on those two occasions there were no actual opportunities for analysing concrete professional dilemmas and working out balanced solutions. There was no chance either to engage in a thematic discussion by correspondence following the motion signed by all presidents of the management boards of the Slovenian banks.

Instead, communication with the commercial banks was through letters containing unilateral and too superfluous conclusions, that is, more commonly, by publishing statements for the public or interviews in the media.

In addition to the absence of the urgently needed broad-based systemic discussion on the situation in the society with a bank-centred composition of the economy, the quality-related risk of corporate governance in the banking sector loomed larger than ever before in 2020 after the Constitutional Court of the Republic of Slovenia annulled in 2019 the article of the Banking Act regulating the participation of employee representatives on a bank's management board and supervisory board. As a result of the specific regulatory arrangements of the banking sector operations, direct implementation of the participation of workers in management envisaged by general legislation, is not possible. It is a matter of fact that at banks, the most important stakeholders by far are savers and it is even more so in Slovenia where the population is highly conservative and keeps most of their "nest eggs" in banks. Over the past few years, the regulatory framework for the fit and proper assessment of members of management bodies in particular of systemically important banks has become much stricter. In the first place it should prevent problems we saw in the recent crisis situations. In this context some have argued that commercial banks are comparable to insurance undertakings; therefore, worker representation on corporate boards should be given a comparable status. Far from it – it is a substantially different business model as credit institutions have to provide for repayability of cash deposits and keep amount ten times higher than the total assets of insurance undertakings. Moreover, their actual business risk is direct and comprehensive, whereas insurance undertakings transfer a greater part of risk to reinsurance contracts. The latter is also quite clearly supported by performance results of commercial banks and insurance undertakings through economic cycles.

It is of key importance to stress once again that over the past few years, there have been changes in ownership of many leading banks in Slovenia and independent and professional corporate governance was one of the legitimate expectations and without investors even considering any changes in that respect. It's only to be expected that in relation the representatives of employees, supervisors will not necessarily follow the same criteria as for other professional board members, which makes it even more a valid concern. The judgement handed down by the Constitutional Court has exposed banking operations to additional material risk, which in turn requires urgent regulation of that area in the Banking Act in such a way that the participa-

tion of worker representatives is arranged so as to take into consideration the specific statutory regulation of operations of the exceptionally sensitive banking sector for which we not want to get at any time in a similar position as in the past crises. And particularly not now when it has become clear that in the interim period as a result of professionalisation and introduction of better suited risk management practices, the banking sector has become robust and resilient to emergency situations, so that it is again in a position to operate as a sovereign and responsible sub-system in the society.

Therefore, in the current global and national economic situation it is absolutely necessary to revive the open dialogue with the key stakeholders in the society in order to lay the ground for the adoption of relevant, balanced, and efficient measures and economic policies, including regulatory-supervisory ones.

The above-mentioned increasingly tightened conditions of operation for commercial banks in the euro area drive further consolidation of the European banking system. In the course of 2020, the number of banks decreased also in Slovenia as a result of the merger of Nova Kreditna Banka Maribor d.d. and Abanka d.d. On the other hand, the number of members in the leasing area rose by two in 2020 after DH Leasing d.o.o. and VFS d.o.o. joined the Association, so it was back to the 2018 level.

Despite the enormous pressure and the expected further consolidation of the sector, we can still say that there's the side of the COVID-19 pandemic that gave banks important opportunities as certain trends gained impetus such as changes to business processes and also client habits, that is, their demands and expectations in connection with the speed and way of tapping into universal financial services.

The need and the requirement to ensure business continuity in the conditions created by the COVID-19 pandemic stepped up digitisation processes at banks and laying out conditions for work from home in order to protect health. Even though in the first phase it called for accelerating already planned investments and, by doing so, immediate higher expenditure, in the longer term, it offers the prospect of rationalisation of operations. The same applies to fast-tracking investments in the development of the digi-

tal services, which clients may perform from home and during the last year, as a result of the measures to protect health, citizens' habits of performing transactions took a U-turn. We are to expect that even after the health situation is "back to normal", it is unlikely that they will be the same as before the current crisis.

After exit from the Covid-19 crisis, the economic recovery process holds a promise of business and social historic opportunities. What is worth noting in particular is an excellent starting point for the fulfilment of the objectives of economic growth and development in a manner that takes into consideration the environmental, social, and informed management, as well as long-term sustainability requirements. The Slovenian banks and savings banks will play an important role in that process.

We are prepared in terms of capital and liquidity, but we still have to upgrade our activities and focus attention on financing sustainable projects. We have already included the steps to be taken in the strategic priority tasks back in 2019 also in the Principles for Responsible Banking and we also implement them in practice in different financial solutions. The cooperation with other social sub-systems, public administration, including the local communities, economy, science, and civil society is of paramount importance for ensuring long-term sustainable economic development.

In the course of 2020, the key issues addressed by the Supervisory Board included the support provided by the banking sector to the economy and households throughout the period of the unforeseen health crisis while at the same time protecting health of employees and clients, drafting proposals of possible measures to mitigate the adverse effects of the crisis on the economy and households, statutory and possible strategic changes necessary to support the economy during the recovery phase in the aftermath of the Coronavirus crisis, and strengthening banks' contribution to a sustainable economic and social development.

At the same time, all other activities referring to the identified prioritised medium-term areas of operation of the Bank Association were also under the watchful eye of the Supervisory Board.

By reviewing the year 2020 once again full of regulatory, technological and competition challenges and, in particular historically marked by the outbreak of the COVID-19 pandemic, we see that the banking sector has played a significant stabilising role so far and, in the roll-out it will also have to shore up quick economic recovery.

The Slovenian banking sector is prepared to face these challenges. Last but not least, also based on long years of experiences that span different periods of economic crises and different economic-political situations. It is a solid, responsible, and proactive sub-system in the Slovenian society offering to work hand in hand with all partners with the aim to clearly define the key common goals and rebuild Slovenia's position of a society in which people enjoy high quality of life and companies operate in a highly supportive and stimulative environment to be internationally competitive and thus an example of success.

After all, commercial banks are already with us and they will be here for many years to come. It makes us all proud that in 2020 we celebrated 200 years of banking in Slovenia: Kranjska hranilnica, Kranj savings bank, was established on 4 November 1820 – the first bank unit on the Slovenian soil and only the second on the territory of then Austro-Hungary (for Erste). That date marks the beginning of banking in Slovenia and gives us something to be proud of.

Last but not least, I also thank all the members of the Supervisory Board of the Bank Association, their alternates, the members of the committees and working groups set up under the aegis of the Bank Association employed at the Bank Association who within the framework of their respective working areas have given a valuable contribution to the efficient operation of the Bank Association. Thanks, and gratitude also go to all the Slovenian bankers as we all demonstrated in 2020 that we once more rose to the occasion and successfully coped with the highly demanding challenges.

Blaž Brodnjak,
Chair of the Supervisory Board
of the Bank Association of Slovenia

Introduction

The programme of work of the Bank Association of Slovenia was also in 2020 based on medium-term strategic goals set by the Supervisory Board of the Bank Association that keep abreast of the changes in the external environment. Their scope covers reputation, digital transformation, regulation, and supervision, financing economic operators and green economy, as well as consumer protection.

Carrying out activities the Bank Association in 2020 was influenced by the effects of the COVID-19 pandemic, which did not affect the strategic starting positions, but resulted primarily in an increased workload and different, exceptional circumstances for the Agency's staff and the entire sector calling for stepping up the pace of digitizing operations.

The functioning of the Bank Association – its staff, as well as the representatives of its member institutions in the working groups – was highly active despite the new circumstances created the COVID-19 crisis. In a crisis, it's all hands-on deck and that was what we also did. The cooperation with all economic operators and organisations was brought to a new level and we closed ranks in particular with the Chamber of Commerce and Industry of Slovenia and the Chamber of Crafts and Small Businesses of Slovenia, and also with the relevant ministries and the judiciary. The cooperation with the law enforcement bodies for the purpose of ensuring secure uninterrupted business operations gained momentum, since the banking sector as part of the country's critical infrastructure had to provide to all economic agents including households smooth carrying out of financial transactions while carrying out measures for the protection of health of both the clients and the employees working in the sector.

The banking sector instantly responded to the unforeseen circumstances. Right after the outbreak of the COVID-19 pandemic and the adoption of the measures for health protection, the Bank Association circulated to various institutions (the Bank of Slovenia (BS), the Government of the Republic of Slovenia, the Ministry of Finance, the Ministry of Economic Development and Technology, the Ministry of Labour, the European Central Bank (ECB), the European Banking Authority (EBA)), proposals for the measures to be taken within the scope of banking regulation, as well as those with a broader scope of support to the economy, retail operations and those adding indirectly to the mitigation of the adverse effects also on the balance sheets of banks and savings banks. To that end we worked hand-in-hand with the Chamber of Commerce and Industry of Slovenia and also with the European Banking Federation (EBF) on drafting proposals the EBF addressed to various European institutions (ECB, EBA, European Commission...). Some of the key proposals are listed below:

1. Proposals in the field of regulation and supervision of banking operations:
 - temporary change in non-performing-loans (NPL) treatment,
 - temporary change in treatment of customer in view of IFRS 9 – financial instruments,
 - delaying the date of application of the Minimum Requirement for Own Funds and Eligible Liabilities (MREL),
 - immediate implementation of all measures provided within the framework of the Bank of Slovenia's role by the regulatory framework on the basis of the guidelines of the EBA and the ECB,
 - postponement for submission of non-critical reporting,
 - postponement for implementation of SIZBIZ upgrading,
 - proposed changes to the macroprudential measures.
2. Proposals for support to the economy:
 - Act Regulating the Guarantees of the Republic of Slovenia (irrevocable, unconditional and on demand guarantee) for:
 - temporary provision of bank financing to companies to cover immediate liquidity needs and financing companies' working capital,

- delaying repayments of companies' outstanding liabilities to banks (any and all types of postponing companies' outstanding liabilities and not only loans),
- delaying repayments of outstanding liabilities of households arising from housing or consumer loans in the case of a loss of job or decrease in the available income (waiting for work, etc...).
- Intervention law that enables carrying out financial transactions from home without physical presence or digital certificates for the purpose of identification and, specifically, to:
 - natural persons who already use a mobile bank and other similar services to carry out financial transactions, including deposits and credit facilities, with remote access without requiring physical presence or certified digital signature, as well as enabling video and other ways of remote identification when opening an account and starting to use full-scope functionality offered by such a transaction account, as well as executing financial transactions for clients who are already the bank's clients and have already performed physical identification at the bank, and
 - access to credit register (SISBON) without personal client identification.

Moreover, the proposals for the mitigation of the negative consequences of the Coronavirus pandemic were drawn up later in the year. Some proposals were taken into consideration, some not. However, with our suggestions and cooperation of our experts all year long in the working processes in different professional content with different stakeholders including the Bank of Slovenia, Ministry of Finance, Ministry of Economic Development and Technology, European Central Bank, Institute for Macroeconomic Analysis and Development, Chamber of Commerce and Industry of Slovenia, Chamber of Trade of Slovenia, Surveying and Mapping Authority of the Republic of Slovenia, Association of court experts and valuers of Slovenia for civil engineering, Society of experts and appraisers Maribor, Geodetic Institute of Slovenia, Slovenian Enterprise Fund, Ministry of Foreign Affairs and others, we contributed to the mitigation of adverse effects of the Coronavirus pandemic on the economy and the population.

In the field of digital transformation, the strategic objectives for 2020 were set in the field of data, payments, and cyber security. All the objectives were reached as planned. However, the state of emergency called for stepping up certain activities and closer cooperation primarily in the area of cyber security and personal data protection. Our activities carried out in that area were focused on awareness raising and collaboration with other stakeholders. The cooperation with SI-CERT in resolving security and cyber incidents was strengthened.

Within the framework of the activities undertaken with the aim to achieve the goals of digital transformation and in connection with the need for an overhaul the IT architecture in place at the Bank Association, the transition was accelerated for certain work processes. Part of the planned activities, however, was delayed to 2021 as a result of the situation caused by the Coronavirus pandemic.

The effort in the regulatory area was mostly channelled to the cooperation in drafting proposals and implementing the measures adopted in the state of emergency due to COVID-19. Nevertheless, practically all the planned activities were also performed. Many of those activities were connected with other national changes to legislation as, for example, the Banking Act, Prevention of Money Laundering and Terrorist Financing Act, laws governing different segments of operation that have to be performed digitally and at a distance, the activities were also connected with national regulations in the field of macroprudential measures. Some of them refer to the consultation procedures at the European level as, for example, when the EBA's guidelines on loan origination and monitoring were issued and – both directly and indirectly – through the EBF, the activities in connection with the coordination between the Bank of Slovenia and banks in relation to the new reporting requirements and standards introduced by the Bank of Slovenia, European Banking Authority, and the European Central Bank. Of key importance was also keeping pace with accelerated regulatory activities of the European Commission and the European Banking Authority in the field of sustainable financing – sustainable financing became in 2020 also a short-term and medium-term strategic priority of the EU also in connection with the financial measures designed to give impetus to post COVID-19 economic recovery.

As regards corporate financing, for the greater part of the year, the activities evolved around the provision of liquidity to the economy in the state of emergency caused by the COVID-19 pandemic and monitoring the carrying out of the measures for the mitigation of the consequences of the crisis on the economy, the cooperation with other stakeholders and, last but not least, monitoring movement in exposure to credit risk.

Consumer protection interacted with the activities for carrying out communication strategy. In 2020, an important part of those activities was dedicated to informing consumers on how to ensure safe execution of banking transactions, digital channels and awareness rising with regard to safety of operations when switching over to remote, digital operations.

The COVID-19 pandemic left footprint also on the topics covered by 12 issues of the journal for money and banking – Bančni Vestnik – published also in 2020. The pandemic was the centre stage topic of two theme issues – for May and for June. The articles on the impact of the COVID-19 pandemic on the economy and credit institutions were published in every issue of Bančni Vestnik from April to the end of the year. Climate change as a type of financial risk banks face was the focal theme of the international issue published in November.

The epidemiological conditions encroached on in particular on carrying out the activities of the Training Centre of the Bank Association in 2020, since they dictated suspension of all the activities with a personal contact between participants. Initially, the focus of attention was on the training programmes, which were already performed as e-learning and, later on, new online training courses were added, or the existing ones adjusted to e-learning.

Much attention was paid also in 2020 to the activities related to financial literacy. After the finals of the European Money Quiz to be held in Brussels were cancelled by the EBF, we competed online at the national level at the end of April. As many as 155 students from eight classes and five schools registered despite the fact that a public health emergency was declared and the conditions at schools were difficult. In collaboration with the EBF we also prepared all the necessary instructions for pupils/students and

their mentors and coordinated the necessary activities so that could also take part in the Grand Final of the European Money Quiz 2020 held online on 16 June. Last year's winner of the European Money Quiz from Slovenia who was also 2020 national winner, was the only finalist from the European countries invited to take the stage and share her views on the significance of financial literacy with thousands of young people across Europe.

As seen from above, the Bank Association was engaged in numerous activities made necessary due to the circumstances changed by the COVID-19 pandemic and, in parallel, also brought to fruition the greater part of the tasks pencilled in the work plan adopted before the outbreak of the Coronavirus pandemic for which I thank the staff of the Bank Association and all the members of its committees and working groups who under the conditions of the COVID-19 pandemic (or in the face of it) spared no effort to get things going. A word of thanks is also due to the experts engaged in out-of-court settlement of consumer disputes who despite the state of emergency in 2020, provided for near seamless work thus contributing to dispute resolution in unusual conditions.

I also wish to thank the Supervisory Board of the Bank Association for their valuable guidance and support in delivering efficient support for the operations of the banking sector and given the state of the pandemic, also to the real sector and households. My thanks also go to the support for the changes to the operating processes of the Bank Association that in the face of the pandemic had to be stepped up.

Stanislava Zadavec Capriolo,
Director of the Bank Association of Slovenia

Bodies of the Bank Association of Slovenia

- General Meeting
- Supervisory Board
- Director: mag. Stanislava Zadavec Capriolo

Members of the Supervisory Board	Alternate members
Blaž Brodnjak, Nova Ljubljanska banka d.d., Chair of the Supervisory Board	Andreas Burkhardt, Nova Ljubljanska banka, d.d.
mag. Vojka Ravbar, SKB banka d.d., Deputy Chair of the Supervisory Board	mag. Manica Novak, SKB banka d.d.
Andrej Plos*, Banka Sparkasse d.d., Deputy Chair of the Supervisory Board	Thomas Jurkowitsch, Banka Sparkasse d.d.
Marco Giuseppe Esposito, UniCredit Banka Slovenija d.d.	Mojca Kovač, UniCredit Banka Slovenija d.d.
mag. Sabina Župec Kranjc, Nova Kreditna banka Maribor d.d.	Matej Falatov, Nova Kreditna banka Maribor d.d.
Jozef Kausich, Banka Intesa Sanpaolo d.d.	Ivan Ivičič, Banka Intesa Sanpaolo d.d.
Mario Henjak, Gorenjska banka d.d.	Marko Filipčič, Gorenjska banka d.d.
Sberbank banka d.d.	Aleš Zajc, Sberbank banka d.d.
Klemen Bajt, Primorska hranilnica Vipava d.d.	Rado Likar, Primorska hranilnica Vipava d.d.
mag. Sibil Svilan, SID banka, d.d.	Goran Katušin, SID banka, d.d.
Mitja Otorepec, Summit Leasing Slovenija d.o.o	Andrej Pucer, NLB Leasing d.o.o

As of 31. December 2020.

* Andrej Plos resigned from the position of Deputy Chair of the Supervisory Board on 1 January 2021.

Selected Macroeconomic Indicators for Slovenia

	2020	2019
Real GDP growth (in %)	-5.5	2.4
Nominal GDP (EUR million)	46,297	48,007
GDP per capita (EUR million)	22,014	23,165
Government surplus/deficit (EUR million)	-1,101	146
Consolidated government debt (EUR million)	37,429	31,744

Source: Statistical Office of the Republic of Slovenia.

Selected Indicators for the Slovenian Banking Sector

(EUR million)	2020	2019
Total assets	44.651	41.213
Shareholder equity	4.805	4.963
Loans to non-banking sector	8.750	8.877
Loans to households	10,712	10,703
Liabilities to non-banking sector	8,031	6,758
Liabilities to households	22,437	20,365
Net interest	639.1	682.7
Gross income	1,360.1	1,256.1
Operating costs	-718.4	709.3
Net profit	450.3	530.5

Source: Monthly Report on Bank Performance, Bank of Slovenia, February 2021.

Activities of the Bank Association of Slovenia in 2020

In the course of 2020, all strategic objectives set in the programme of work were achieved, despite the strong impact of the COVID -19 pandemic on all lines of activity. Under the circumstances, it was necessary to react fast to the needs of the Association's member institutions had in the unexpected and unforeseen conditions, the cooperation with other organisations and institutions was strengthened and changes in the way the Bank Association operates internally, as well as in the way it cooperates with other stakeholders within and outside the national borders.

In addition to the unforeseen activities connected with the outbreak of the COVID-19 pandemic, also all operational objectives set for 2020 were achieved apart from four; however, as a result of the state of emergency, additional twenty-three (23) unplanned operating tasks were realised.

Additionally, also all strategic and operational objectives set out within the framework of the Association's communication strategy were achieved with certain exceptions envisaged in relation to financial literacy of senior citizens where activities had to be suspended following due to the health protection measures. Within the framework of the action plan for gradual renewal of the obsolete IT infrastructure, based on the requirements to provide the possibilities for work from home in order to protect health, the investments necessary to enable work from home exceeded the pencilled in expenditure for IT, while part of the investments and activities planned for 2020 was carried forward to 2021.

The Bank Association's operations in 2020 is presented by area of action in more detail below.

Economics of Banking Operations

The area of the economics of banking operations, which in addition to the risk management and internal audit functions comprises bank accounting, taxes and reporting to regulatory, supervisory and tax authorities, carried out its work through three committees and eight working groups. The activities of those Association's bodies in 2020 were strongly marked by the COVID-19 pandemic and as a result of the newly emerged needs, also special *ad hoc* working groups were established.

All the above-mentioned working bodies observed the set strategic directions included in the programme of work of the Bank Association for 2020.

Specifically, their work was focused especially in:

- evaluating and reducing the negative impact of the Coronavirus Sars-Cov-2, that is, COVID-19 on the performance of the banking sector and putting the necessary mitigating measures in place;
- giving a series of initiatives, proposals, comments, and questions in connection with changes to regulations, that is, regulatory acts (also in the form of capital, liquidity, and operational allowances due to COVID-19) at the European and local levels, as well as strengthened information sharing;
- addressing the risk management methods and procedures with the emphasis on efficient and prudent credit risk management (loan approval and monitoring), on credit collateral and operational risk, as well as the functioning of the internal audit department (both in the context of the COVID-19 pandemic and in general);
- revising and upgrading the existing and preparation of new documents in relation to internal procedures, effective regulatory rules and examples of good practices falling within the scope of work;
- intensifying dialogue and cooperation with different stakeholders both at the national (e.g. Bank of Slovenia, the Ministry of Finance, Institute of Macroeconomic Analysis and Development (UMAR/IMAD), Survey-

ing and Mapping Authority of the Republic of Slovenia the Republic of Slovenia (GURS), Financial Administration of the Republic of Slovenia (FURS), Chamber of Commerce and Industry of Slovenia (GZS) etc.) and at the international and supranational levels, as well as disseminating information in real time on relevant developments in connection with the Coronavirus pandemic.

Risk Committee

At three regular meetings held in 2020 and by exchanging voluminous electronic correspondence, the Committee dealt with the topical issues falling within the scope of risk management at banks and savings banks, solved ambiguous and practical matters, aligned positions, and took initiatives, kept abreast of the changes in the regulatory environment, conducted surveys and examined their results.

In the beginning of 2020, the Committee members took part in the preparation of the proposal of the Act regulating the guarantee of the Republic of Slovenia for housing loans, but it was not submitted to the legislative procedure. With the outbreak of the COVID-19 pandemic, the activities were primarily focused on adjusting and upgrading internal procedures and proactive monitoring of changes to regulations and regulatory rules. In addition to the regular working groups, numerous ad hoc working groups were established (e.g. for the preparation of harmonised forms for applications for approval of moratoria, for the preparation of the proposed Act on the Republic of Slovenia Guarantee Scheme for Liquidity Loans, for the interpretation of the rules on classification and impairment charges due to the COVID-19 pandemic, for the implementation of the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic, and the preparation of harmonised application forms for such loans) – the Committee delivered on all the set tasks. Within this framework, the Committee was especially active when it came to drafting the clarifications and asking questions regarding the rules for the classification and asset impairment due to COVID-19 on the basis of the notifications from the regulators – the European Banking Authority (EBA) and the European

Securities and Markets Authority (ESMA) as of 25 March 2020 and the EBA's Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis applying from 2 April and amended on 2 December 2020 with clarifications regarding the following:

- the identification of exposures as defaulted and its consequent reclassification as non-performing (NPEs),
- the treatment of legislative (public) and non-legislative (private) moratoria as forbearance and consequent reclassification of exposures as forborne (*FEs*), and
- accounting treatment from the aspect of the reclassification of exposures from group 1 to group 2 and consequential impairments.

Throughout the year, the Committee members in liaison with other working bodies of the Bank Association (especially with the Corporate Banking Committee and the Committee for Legal Matters) also addressed other topics in relation to the COVID-19 pandemic and drafted appropriate legislative and regulatory initiatives. Among the latter, the initiatives worth mentioning advocate modifications to the central bank's regulation on credit risk assessment for the purpose of harmonising conditions for providing legal certainty of collateral with the conditions laid down in the Capital Requirements Regulation (CRR), and the initiative for more favourable treatment of public sector entities with low risk, which was also partly accepted.

Throughout 2020, the Committee closely followed the macroeconomic developments and continued with carrying out regular meetings with the representatives of the Institute of Macroeconomic Analysis and Development (UMAR/IMAD) at which the participants were informed of the forecasts of the forthcoming movements in macroeconomic categories and identified trends in corporate operations. The Committee followed on a regular basis the work of the Chamber of Accounting Services at the Chamber of Commerce and Industry (GZS) on the project for the standardisation of financial disclosures on operations of especially small and medium-sized enterprises (FRP Standard project) and engaged in a dialogue with the project promoter with the aim to carry it out as soon as practicable.

One of the Committee's key activities in 2020 was closely linked to its engagement in the implementation of the guidelines of the European Banking Authority on loan origination and monitoring published in May. Namely, the Committee was actively involved in the consultation process already a year before when the draft guidelines were published, whereas in 2020, in addition to examining the final version of the guidelines, the Committee appointed a special working group on their implementation and resolving any dilemmas in connection with that process. Thus, the Committee embarked on the task of identifying the necessary adjustment of the credit process in banks and savings banks and made suggestions for adequate solutions (as described later on in the text where the activities of the Committee's working groups are described). In connection with the new regulatory products, the ECB draft guide on climate-related and environmental risks published in May with the final guide published in 2020 is also worth noting. The Committee took note of with the key contents of both versions of the guide and recommended that they should be examined more thoroughly at the working group level.

The Committee took note of the directions for immoveable property mass valuation in the state of emergency caused by the COVID-19 pandemic issued by a mixed working group composed of the representatives of the Slovenian Institute of Auditors and the Bank Association of Slovenia. In addition, with the aim to promote the generalised immoveable property values appraised by the Surveying and Mapping Authority of the Republic of Slovenia (GURS) by means of mass valuation models, the Committee drafted a question in collaboration with other key stakeholders to be eventually addressed to the European Banking Authority once those data are available to the general public intending to have the results of those models be directly used also in the procedure for the calculation of capital requirements for credit risk.

The Committee conducted numerous surveys among member institutions falling within its scope of its domain (e.g., on the conditions for abolishing FE designation for forborne exposures), analysed their results, dispelled dilemmas through discussions and set the course by issuing directions. Furthermore, in the second half of the year, the Committee members conducted the traditional survey among the representatives of banks' risk man-

agement departments concerning the key present and expected risks the banking sector is exposed to. Once again, the results revealed great significance of business/performance and regulatory risks above all. However, as a result of the effects of the COVID-19 pandemic, credit risk was at the top of the list. In that regard, the Committee also looked into the results of the similar studies conducted at the local level (e.g., Bank of Slovenia), at the regional level (e.g., EBA, ECB, ESRB), and at the global level (McKinsey, WEF).

In October, the traditional conference on the current challenges in the area of risk management in banks and savings banks was held online as a virtual event and it was a highlight of the Committee's work. In 2020, the contents at the forefront were those encapsulated in the key directions for the Association's work. They were grouped in three modules by their substance: macroeconomic conditions and forecasts, sustainable financing and regulatory, that is, supervisory practice. Once again, the conference was a high-profile forum for exchanging knowledge, opinions, positions, and best practice enabling the participants, also by organising lectures given by renowned foreign experts, to get a broad view of the dynamics of the development of different risks and risk management techniques in banks and savings banks.

The Committee members received up-to-the-minute news through the Bank Association about relevant activities at the level of the European Banking Federation (EBF) (e.g., concerning sustainable financing, the guidelines of the European Banking Authority on loan origination and monitoring, meetings with the representatives of the ECB...) and notifications of the regulatory authorities (e.g., the publication of new technical standards and the EBA and ECB guidelines, that is, guidance).

The Committee members also prepared a well-accepted substantive description of risk management also for the journal *Bančni Vestnik* and other channels for communication with the public and in that way contributed to sending relevant information to a broader circle of stakeholders.

As previously mentioned, the importance and complexity of the content and topicality of credit risk management (and within its framework of the loan origination procedure and collateral management), as well as opera-

tional risk and application of models in general and in the state of emergency due to the COVID-19 pandemic, called for intensive work of both standing and *ad hoc* working groups operating within the framework of the Committee along the lines set by the Committee. The work and contribution made by all those working groups are presented below.

Working Group on Collateral

The working group was exceptionally active and its members met nine times to hold regular meetings. At the beginning of the year, the members took note of the relevant information on changes to data structures in the records of the Surveying and Mapping Authority of the Republic of Slovenia (GURS) effective 1 April 2020. In accordance with the pencilled in programme of work, the focus of attention throughout the year was on the activities promoting wider application of the generalised immoveable property values prepared and published by the Surveying and Mapping Authority of the Republic of Slovenia (GURS) for the purpose of assessing the value of residential property within the framework of the procedure for the calculation of capital requirements for credit risk in accordance with Capital Requirements Regulation (CRR). To that end, a well-reasoned question was prepared for the European Banking Authority referring to the arguments in favour of the use of the generalised value of residential property for the purpose of calculating capital requirements for credit risk and submitted to the Risk Committee for approval but following the suspension of publication of the generalised immoveable property values as stipulated in intervention regulations, it was left for a later date. At the end of the year, the working group launched other two formal initiatives for the publication of information on the generalised values that would bring to the banking sector and its clients additional practical value and, consequently, numerous benefits.

The members of the working group also turned attention in 2020 to setting up electronic information sharing on policy vinculation between banks and savings banks on one side and insurance undertakings on the other. Further activities depend on the interests of other stakeholders.

In the course of 2020, the working group was actively involved in the in-depth review of the guidelines of the European Banking Authority on loan

origination and monitoring in the segment referring to credit collateral and formulated appropriate interpretations of individual provisions. Moreover, they actively followed the results of the work of special working groups established due to the COVID-19 pandemic to deal with collateral for loans with guarantees given by the Republic of Slovenia. As a result of the developments triggered by the COVID-19 pandemic and its impact on the value of different forms of assets (and thus on the value of the collateral portfolio), the working group joined forces with the Slovenian Institute of Auditors to set up an interdepartmental task force mandated to deal with emerging challenges and peculiarities of valuation in a situation of surging uncertainty as a result of both pandemic waves. Its main purpose is drafting expert solutions in the conditions created by the pandemic and strengthening the interaction between immovable property appraisers and the users of appraisal reports.

At the end of the year, the working group prepared the initiative addressed to the Bank of Slovenia to change the text of Article 23 of the Regulation on credit risk management in banks and savings banks referring to the fulfilment of the conditions to comply with the requirement for legal certainty where a mortgage serves as collateral.

Working Group on Modelling

At its five regular meetings held in 2020, the bulk of the working group's activities was oriented towards discussions about the lingering challenges and seeking methodological solutions in the following areas:

- elaboration of macroeconomic scenarios and forecasts for the Republic of Slovenia and the eurozone;
- modelling/assessing expected credit loss, that is, credit risk parameters (especially probability of default) and impairment recognition in the conditions of increased uncertainty, volatility of economic prospects and more regulatory flexibility made necessary by the COVID-19 pandemic;
- loan pricing in accordance with chapter 6 of the guidelines issued by the European Banking Authority on loan origination and monitoring, and the Association's recommended principles of responsible lending to companies, and

- grasping the concepts of sustainable financing and circular economy and determining the criteria for establishing circular nature of enterprises.

The cooperation between the working group's experts and the representatives of the Institute of Macroeconomic Analysis and Development (IMAD) continued in 2020 and they attended IMAD's presentations of macroeconomic forecasts together with the interested members of the Risk Committee and the Corporate Banking Committee. The working group also approached the Bank of Slovenia with the initiative to gather selected aggregate data reported to the central bank by banks and savings banks within the framework of mandatory reporting requirements as feedback information at the banking system level. That would be a useful input, that is, reference value.

Especially in the second half of the year, the working group focused activity on the matters connected with sustainable financing and circular economy. The work started to determine the criteria for establishing a company's orientation toward circular economy and in that context, given the fact that the scope and content of the term is new, the WG members learned about the methodological starting points from an outsourced expert and the representatives of SID Bank. They also addressed the relevant issues published in November in the ECB's Guide on climate-related and environmental risks, especially in the section referring to the risk management framework (under 6.1) and credit risk management (under 6.2.).

Working Group on Operational Risk

Also, the work of this working group was strongly impacted by the effects of the COVID-19 pandemic. After the group formally approved the updated guidelines for operational risk management in banks and savings banks – the main result of its intensive work during the past year – and endorsed the initiative for the preparation of a single control questionnaire for conducting regular annual reviews of outsourced service providers at the first out of the total of seven meetings held in 2020, following the outbreak of the first wave of the Coronavirus epidemic it prepared a list of the measures serving to ensure business continuity in case the COVID-19 epidemic would spread (measures of internal nature, measures related to clients and

outsourced service providers, and measures referring to institutional stakeholders).

Furthermore, the starting criteria for the treatment of operational loss events as a result of epidemic were prepared – what is damage/loss seen from the angle of operational risk arising from the COVID-19 pandemic and how will be the losses arising from the COVID-19 pandemic classified according to the Basel rules.

The working group in collaboration with other working bodies of the Bank Association on the basis of the aforementioned initiative for the preparation of a single control questionnaire for the evaluation of outsourced service providers wrapped up the task successfully. During the period from February to August 2020, a single document was prepared that can help banks and savings banks to conduct a review and assessment of risk related to outsourced service providers. The questionnaire encompasses different aspects of the evaluation of performance of outsourced service providers (such as IT security, data management, business continuity, financial stability, that is, settling financial obligations, internal governance, human resources...), uniform use of a standardised questionnaire could significantly reduce the administrative burden also to outsourced service providers – contractual partners of banks and savings banks.

Also, this working group took note of the relevant provisions of the ECB's Guide on climate-related and environmental risks (section 6.3: Operational risk management), in June 2020 carried out a professional presentation of the toolkit for the management of operational risk associated with a foreign commercial provider.

The Group was also included in the Association's training activity given, since operational risk management was included in the training syllabus of the Banking School.

Working Group on the Implementation of the EBA Guidelines on loan origination and monitoring

Considering the exceptional importance of the credit process at banks and savings banks, and within the framework of that process the procedures

for loan origination and monitoring, on the basis of the decision passed by the Committee in 2020 a working group was established and given the task to examine in detail the EBA guidelines issued in May that regulate the area of banking operations in question. The members of the working group carried out an in-depth systemic review at five meetings of all the sections of the Guidelines and addressed the dilemmas of key importance that often emerge when they are to be carried out in practice also due to the general nature of the guidelines. By exchanging opinion among experts in connection with all relevant issues, the members of the working group reviewed the EBA's explanatory note on its approach to loan origination and adopted and documented appropriate clarifications and decided to continue their work also in 2021 and, where possible, also by engaging in a dialogue with the representatives of the regulator, that is, supervisor, before and after the Guidelines start to apply.

The ad hoc Working Group on the Implementation of intervention regulations due to COVID-19 pandemic

As a result of the COVID-19 epidemic, the Republic of Slovenia adopted numerous measures to mitigate negative consequences for the economy and citizens and their effects spilled over to bank operations. Also, the regulators of the bank market at the national and at the European level reacted in a similar way by adopting numerous changes to the regulatory rules.

The aforementioned changes called for immediate and proactive reactions of the banking sector, all for the purpose of as rapid as possible implementation and consequently efficient effect of the measures, so as to make it as transparent as possible also for borrowers. For that purpose, mixed working groups were formed at the Bank Association tasked primarily with the preparation and adjustment of all necessary procedures and documentation referring to the implementation of the Act Determining the Intervention Measure of Deferred Payment of Borrowers' Liabilities (*Zakon o interventnem ukrepu odloga plačila obveznosti kreditojemalcev*) (ZIUOPOK), Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Customers and the Economy (*Zakon o interventnih ukrepih za zaježitev epidemije COVID-19 in omilitev njenih posledic za državljane in gospodarstvo*) (ZIUZEOP) and the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the

COVID-19 Epidemic (*Zakon o zagotovitvi dodatne likvidnosti gospodarstva za omilitev posledic epidemije COVID-19*) (ZDLGPE), and the relevant government ordinances/decrees. Also, the representatives of the committee tasked with risk management and its working groups participated actively in those working groups. Their activities are described in more detail in the segment of the 2020 Annual Report referring to the work of the Corporate Banking Committee as the umbrella body for the risk management area.

Internal Audit Committee

The Committee's mission is efficient exchange of experiences, knowledge, and best practice in internal auditing, keeping abreast with the regulations governing internal audit and current risks facing banking operations and strengthening professional skills of internal audit function in banks and savings banks.

The Committee members held four regular meetings and addressed a broad array of issues related to the work of internal auditors, exchanged experiences and formulated positions concerning key topics. They also took note of the activities carried out by the committees engaged in complementary lines of work and current regulatory changes (such as the new guidelines of the European Banking Authority and the ECB guidance, changes to the regulatory rules in force and adoption of new legislative acts due to the COVID-19 pandemic, etc.) and joined the consultation process in the course of the preparation of the act amending the Companies Act (ZGD) referring to the internal audit function (Article 281a). In connection with the COVID-19 pandemic, the Committee members alongside proactive following of changes to the regulatory and legislative regulations relentlessly exchanged their views on the practical aspects of the organisation and functioning of internal audit departments during the state of emergency due to the Coronavirus pandemic and shared views on adjusting their annual work plans to the new situation. They also aligned positions regarding the traditional annual survey on current risks and internal audit engagement with the risks emerging as a consequence of the COVID-19 pandemic as its pivotal issue. The survey was conducted in August together with few other committees and its results were discussed in detail together with the

findings of the surveys conducted by other committees of the Bank Association and similar national and international studies.

At the start of 2020, the Committee members received information and attended a practical demonstration of the functioning of the software tool providing support to the work of internal audit departments held by a commercial provider from abroad. The greater segment of the Committee's activities later in the year was directed to the coordination and organisation of pooled audits by the outsourced service providers in accordance with the provisions laid down in the EBA's Guidelines on outsourcing arrangements. Specifically, in Article 91, the institution that engages the service of an outsourced service provider may, in addition to an autonomous audit review at the service provider's site, use pooled audits jointly with other clients of the same service provider and performed by them and these clients or by a third party appointed by them, that is, by the representatives of members of the Bank Association or by third parties. The Committee decided to enter into an outsourcing arrangement with international specialised audit firms as such pooled audits would bring numerous advantages both to banks and savings banks and to outsourced service providers. To materialise that decision, a specific action plan was prepared and all the necessary procedures for conducting at least one pooled audit in 2021 were performed.

As in previous years, an important part of the Committee's activities in 2020 was dedicated to the preparation and organisation of the traditional two-day conference of internal auditors in September. However, due to the onset of the second wave of the Coronavirus pandemic, the event had to be rescheduled for the next year. Nevertheless, the Committee at two meetings in the second half of the year addressed some of the topics planned to be on the agenda of the conference (e.g., drafting a programme of internal audit assignments on the basis of risk assessment, the Office for the prevention of money laundering, the cooperation between the internal audit function and the risk management function).

The Committee continued with strengthening interdisciplinary activities and to that end, joined forces with the Risk Committee, that is, its working group on operational risk, to examine managing risk associated with outsourcing arrangements, that is, the preparation of a questionnaire on

assessing risk of outsourcing important/critical functions, which was successfully completed.

In the past year, the Committee members reviewed and confirmed the list of the key content of the annual report on the work of the internal audit department on the basis of the provisions of the Companies Act (ZGD) and the Banking Act (ZBan) and revised and amended the Tableau de Bord with numerous activities prescribed by the regulator for the internal audit function. Among them were also the tasks and responsibilities laid down in the ECB Guide on climate-related and environmental risks in which, based on the provisions of sub-section 5.3 (Organisational structure), the internal audit function is tasked starting already from 2021 with considering in its reviews the extent to which the institution is equipped to manage climate-related and environmental risks.

Accounting Committee

The Committee tasked with accounting matters met once in 2020 as a result of the extraordinary situation caused by the COVID-19 pandemic via a video link. The work of the Committee in extraordinary conditions was especially marked by the cooperation and a dialogue with different stakeholders, such as the Bank of Slovenia, that is, its departments in charge of supervision, regulatory framework, reporting and rescue, Ministry of Finance and the Financial Administration of the Republic of Slovenia (FURS), etc., bringing forward initiatives and proposals for changes to regulations, that is, regulatory acts, efforts to implement in practice the principle of proportionality and rationalisation of reporting requirements in general by addressing numerous questions to the Bank of Slovenia in connection with carrying out Instructions for reporting by monetary financial institutions (reports BSMAP, BSZAM).

In 2020, the member institutions joined through the Bank Association consultation processes on acts of domestic and international authorities by making proposals and comments. They presented their proposals for modifications/amendments to certain new regulatory acts issued in 2020 by the Bank of Slovenia and, specifically, the Instructions for reporting by

monetary financial institutions, changes to the guidelines concerning the application of the expected credit loss modelling and the rules for valuation of certain accounting items.

Working Group on Taxes

The working group held one meeting in 2020 as a video conference due to the situation caused by the COVID-19 pandemic. However, its members followed the adoption of intervention legislation and if a change occurred, addressed a question to the Ministry of Finance and the Financial Administration (FURS).

Two joint meetings were organised between the members of the core working group on taxation, Ministry of Finance, and the Financial Administration (FURS) on reporting on cross-border tax arrangements under which banks are required to report in accordance with Directive 2011/16/EU on administrative cooperation in the field of taxation in connection with cross-border tax arrangements to be reported (known as DAC6). In accordance with DAC6, the internal document on reporting on cross-border tax arrangements – DAC6 was drawn up by the Association's experts as a recommendation for banks for reportable cross-border arrangements. In addition, e-learning course material for bank employees responsible for and/or included in reporting under DAC6 was jointly prepared by the Training Centre and the core WG for tax-related matters.

The working group also examined different tax-related matters:

- VAT treatment of cash management services,
- guidelines in connection with financial transactions,
- payment of financial services tax by foreign providers of payment services – on the initiative of the committee tasked with card business,
- personal income tax – annual tax return – interest earned,
- intervention legislation – COVID-19, and
- guarantee premium treatment.

The Group also addressed in 2020 »internal controls« and within the framework of that item two lists were prepared: Withheld tax for natural persons and VAT list of taxable and exempt services (not finalised yet).

As a feedback to the above activities, the Bank Association received official responses of the Financial Administration (FURS) to numerous tax-related issues (e.g. valuation of bonuses arising from the use of a company car for private purposes – proportionality of tax treatment of parking space costs for employees who use them during business hours, allowance for investing in signs designating parking lots, tax effects of bonuses to management board members in financial instruments, KP KDVP and VIRODIV reporting, tax on financial services as extra bonuses to insurance agents, calculating bonuses when a company car is used during the COVID-19 pandemic, etc.).

Working Group on Reporting

The WG members did not get together in 2020 due to the extraordinary situation in connection with the new Corona virus. Nevertheless, they played a proactive role and made remarks concerning the Regulation on macro-prudential restrictions on lending to households and the new disclosure requirements relating to the reports BSMAP and BSZAM.

Within the framework of cooperation with the Ministry of Finance, that is, the Financial Administration of the Republic of Slovenia (FURS), the Bank of Slovenia and other key stakeholders, the Committee members received information on a regular basis on up-to-date publications and activities of the aforementioned players, they intervened in giving initiatives falling within the scope of work of the banking and tax regulations, obtained relevant information and interpretations, and organised meetings.

Working Group on AEOI and FATCA

The working group tasked with the Automatic Exchange of Information (AEOI) and the Foreign Account Tax Compliance Act (FATCA) deals with the automatic exchange of financial account information between countries according to the requirements of the single Standard for Automatic Exchange of Financial Account Information (OECD Standard) and the Council Directive 2014/107/EU as regards mandatory automatic exchange of information in the field of taxation that applies since 1 January 2016 (AEOI), and resolving requirements that arise from the US law on compliance with tax regulations in connection with accounts of US tax residents abroad (FATCA).

Within the framework of AEOI, specific procedures were put in place for client identification to obtain information on the country (or several countries) in which the person is a tax resident and reporting on the prescribed information on person and his/her financial transactions in each of those countries. Slovenia committed to the implementation of the identification procedures and reporting back in 2014, together with a group of more than 100 countries. Even though numerous countries so many countries signed up to the implementation of automated exchange of data in accordance with the time frame determined by the OECD, the operating procedures at the financial institutions still have to be honed.

Similarly, as a year earlier, the Group members held only one meeting in 2020 and learned about all the planned tasks of key importance by correspondence. To mention just some of them: key changes to the rules for reporting under the Automatic Exchange of Information (AEOI) and FATCA, exchanging experiences and opinions, learning about new regulations and latest regulatory developments, informing the member institutions of the Bank Association about the activities carried out by the working group at the EBF through its representative. Furthermore, the WG members addressed an initiative to the Financial Administration (FURS) to enable banks and savings banks to get information on tax residency of their clients together with the information on correct US taxpayer identification number (TIN) and other information for the Common Reporting Standard (CRS) and FATCA reporting from FURS. They also examined the content of the control questionnaire that includes a list of procedures referring to maintaining and managing the AEOI process, communication with clients and the regulator, identification of different types of subjects, reporting, support IT-system and supervision, that is, internal controls. A significant chunk of the activities performed by the working group referred to the change to reporting under the XML CRS scheme announced back in 2019 and applied from 1 February 2020 onward for reporting information for 2020 and demanding a fix to the initial, amended, or cancelled submission of CRS reports implemented this year.

Noting the extraordinary situation caused by the COVID-19 pandemic, the members of the Group turned to the Financial Administration (FURS) with a request to postpone the closing dates for the submission of reports for FATCA and OECD CRS. The request was granted as justified.

Corporate Banking

Two committees were covering the corporate banking area in 2020: the Corporate Banking Committee re-activated in 2018, and the Committee for Documentary Operations operating for decades already. Also, the activities of these two working bodies of the Bank Association in the course of 2020 were strongly impacted by the COVID-19 pandemic. Specifically, within the framework of the Committee dealing with corporate banking, unplanned *ad hoc* working groups were established and in collaboration with other committees (especially the Risk Management Committee and the Committee for Legal Matters) followed the implementation of the intervention regulations, adjustments to the changes to the regulatory framework, regulation interpretations, unification of procedures and documentation, and bringing forward numerous initiatives.

Corporate Banking Committee

The measures adopted to protect health and contain the consequences of the COVID-19 pandemic on the economy called for fast responses by the banking sector, all for the purpose of as quick as possible implementation of the adopted measures and their effect. To that end, at the Bank Association, in addition to the existing working bodies, task-oriented groups were formed to work on intervention regulations.¹ As the Association's backbone body, the committee tasked with corporate-related matters worked through those working groups especially on resolving dilemmas in relation to the implementation of provisions, adjustments of all necessary procedures and the preparation of as uniform documents as possible. Also, the representatives of other committees of the Bank Association participated constructively in these working groups. Those *ad hoc* working groups were:

¹ Especially the Act Determining the Intervention Measure of Deferred Payment of Borrowers' Liabilities (ZIUOPOK), Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (Article 65 of ZIUZEOP) and the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (ZDLGPE) and appurtenant Government ordinances/decrees.

1. The working groups for the preparation of unified application forms for:
 - approval of deferring credit obligations, and
 - approval of loans backed by a guarantee of the Republic of Slovenia.
2. The *ad hoc* working groups for the implementation of the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (ZDLGPE):
 - for specifying clear criteria and supporting documentation on the basis of which SID Bank acting as an agent and a commercial bank or a savings bank as a lender would be able to easily determine the fulfilment of the conditions for a valid guarantee in accordance with the aforementioned law, and
 - for putting in place information infrastructure for exchanging relevant information between SID Bank acting as an agent and commercial banks, that is, savings banks providing to all stakeholders of the guarantee scheme relevant information in a timely manner (especially about utilisation of »nominal« quotas and limits specified in intervention legislation).
3. In order to achieve a higher degree of the Committee's agility and responsiveness in the given situation, a task force composed of the representatives of the largest members of the Bank Association was appointed and it directed activities at the operating level practically on a daily basis and reported to its founding committee.

Through numerous video- and phone conferences and the exchanged electronic messages was within the framework of those working groups carried out as follows below:

- drafting the proposal of the act governing the guarantee scheme in collaboration with other stakeholders,
- gathering and harmonising members' questions and initiatives, as well as comments, in connection with the intervention legislation for the Ministry of Finance and the Bank of Slovenia,
- resolving organisational issues and coordinating positions of banks and savings banks on the implementation of intervention regulations,
- informing members about special lines of credit to mitigate the conse-

- quences of the COVID-19 pandemic in the form of financing arranged by SID Bank and the Slovenian Enterprise Fund,
- conducting a survey on the readiness of the Association's members for instant reporting to the information exchange system SISBIZ and submitting proposals for extending testing and the deadline for the implementation of instant reporting and other initiatives aimed at decreasing operational burden in the COVID-19 conditions.

The Committee members and the coordinator were regular active participants at ten virtual roundtable events organised by Deloitte. The Committee strengthened cooperation with the representatives of the real sector (through the Chamber of Commerce and Industry (GZS)) to draft joint initiatives and comments concerning intervention regulations, participated in the preparation of the on-line seminar on the new guarantee scheme and poll questions for companies with the implementation of the Act Providing Additional Liquidity to the Economy (ZDLGPE) as the topic and held numerous (virtual) meetings, all for the purpose of enabling the banking sector to provide as efficient as possible financial support for the economy.

In the areas not directly connected with the COVID-19 pandemic, one of the more prominent activities of the Committee was the examination of the new guidelines of the European Banking Authority on loan origination and monitoring. The Committee's representatives were actively involved in the work of a task force and looked in detail in the content of particular sections of the guidelines (more details are provided in the presentation of the work of the Risk Committee).

After the survey on identified risks arising from bank operations and the macroeconomic environment conducted the year before last, the Committee conducted that survey in parallel with other committees of the Bank Association again in 2020 and thus amended information with the views of the commercial function on current developments. To that end, the Committee looked up the results of similar analyses prepared by other institutions at the local, European, and global level. The survey was greeted with satisfaction and included in the Committee's programme of work also for 2021.

At the Committee's regular meeting, the roster of products of the European Investment Bank (EIB) was presented in detail and the Committee members in the representatives of the EIB sought the possibilities for the cooperation for the financing of the Slovenian economy by tapping the EIB's facilities. The Committee members continued regular communication with the representatives of the Institute of Macroeconomic Analysis and Development (IMAD/UMAR) launched in 2019 to facilitate information sharing about the developments in the Slovenian economy. Especially at the end of 2020, in line with the current trends and the new regulatory requirements, the focus of attention was also on environmental, social and governance (ESG) principles to be observed in relation to credit function. The Committee will enforce activity in that area in 2021.

Documentary Operations Committee

The Committee's mission is sharing of experiences, specialist knowledge and best practice coupled with keeping abreast of the key regulations, trends and novelties in documentary operations and trade financing in general – a guideline of the Committee's activity also in 2020.

The Committee members addressed at two regular meetings and by correspondence a number of current issues emerging at the operational and tactical level during daily operations, especially in the state of emergency due to the COVID-19 pandemic. In relation to the pandemic, the Committee prepared several answers to the questions referring to issuing guarantees during the pandemic and the use of a digital signature. The Bank Association used those Q&As to published in May on its website open to public the most frequently questions and answers, as well as a special notice for the public and thus enabled its users with an interest in bank services to get information about the terms and conditions of guarantee operations in an emergency situation. Among other highlighted topics there was also cashing foreign cheques, digitalisation of operations, work from home/smart working, carrying out client due diligence and screening for the purpose of the prevention of money laundering and terrorist financing, etc.

The Committee continued in 2020 to cooperate with the Chamber of Construction and Building Materials Industry at the Chamber of Commerce and Industry (GZS) staging a special presentation of bank products for international trade banking (with the focus on documentary letter of credit) designed to provide protection against financial and other risks. That topic was elaborated in an article published in the Chamber's bulletin.

The Committee was also active in the international field. It followed the work of the bodies of the International Chamber of Commerce (ICC), mainly in the work of the body responsible for banking technique and practice (the ICC Banking Commission). The Committee's representatives could not attend the meeting of the ICC Banking Commission, since the event had to be cancelled due to the COVID-19 pandemic. On the basis of information and monthly bulletins of Commercial Crime Services, a division of the ICC Company, of which the Bank Association of Slovenia is a member, the Committee kept the member institutions posted on a regular basis on international frauds in the field of documentary instruments and warned them against risks associated with domestic and international documentary instruments.

The topics in relation to documentary operations were also in the programme of the Association's training courses activity – the Banking School – in 2020.

Money and Capital Markets

Treasury Committee

The main feature permanently on the agenda of the Committee's work during 2020 were the activities for effective liquidity management in the banking system and to that end, the banks represented on the Committee shared their views with the representatives of the Bank of Slovenia and the representatives of the Ministry of Finance, even though the Committee members did not formally meet in the first half of the year due to the COVID-19 pandemic.

Within the scope of their activities, the Committee members were briefed on the impact of the pandemic on operations of different sectors of the economy and received information regarding the key milestones of the transition from EONIA to ESTER. The Committee planned a two-day conference in April together with the committee tasked with back-office and depository matters and the Invest Services Committee, but the plan fell through due to the circumstances related to the pandemic and the conference was postponed to autumn 2020.

The Committee members did not get together in summer months, but they received information from Ernst & Young on free-of-charge IBOR webinar on the latest status and market developments relating to the IBOR transition. The Committee members also received information from the working group on euro risk-free rates established by the ECB on euro risk-free rates on the legacy swaptions impacted by the Central Clearing Counterparties (CCPs) discounting transition to the €STR. The working group tasked with benchmark rate reforms held one online meeting in September after receiving notification on the public consultation launched by the ECB on EU-RIBOR fallback trigger events.

The Committee held a regular meeting at the end of September and on that occasion the issues discussed with the representatives of the Bank of Slovenia and the Ministry of Finance included monetary policy and the

ECB measures, macroprudential measures imposed by the Bank of Slovenia – Gross Loans to Deposits Flows ratio (GLTDF), changes and novelties regarding statutory fulfilment of the minimum requirements for own funds and eligible liabilities – MREL (primarily in relation to the expected new policy of the Single Resolution Fund (SRB) for the calculation of the MREL requirements and the implementation of the recovery and resolution of credit institutions and investment firms (the BRRD), alongside a blueprint for government borrowing and the emissions of debt securities envisaged to be launched by the end of the year and in 2021.

Moreover, at that meeting the Committee also took note of the activities undertaken by banks in the field of benchmark rate reforms, endorsed the initiative to suggest to the Ministry of Finance once again to include the Committee members in the processes of drafting national legislative proposals on covered bonds, took note of bank preparations for the changes in liquidity management in relation to the T2-T2S consolidation project to harmonise certain functional aspects of the Eurosystem's market infrastructures, and endorsed the decision made by the leaderships of the three committees on the deferral of the date for the conference of treasury, back-office / depository services and investment banking in 2021.

Backoffice and Depository Services Committee

The activities carried out in connection with the back-office functions falling within the area of financial markets and securities depositories were the pivotal topics on the agenda of the Committee tasked with back-office and depository matters also in 2020. The Committee members did not meet in formal meetings due to the well-known situation in 2020, but the Committee members through the president of the Committee, who also acts as the representative of the Bank Association in the Post-Trading Working Group set up within the framework of the European Banking Federation, were kept informed on all current developments within the framework of the working group.

The working group on corporate actions set up under the aegis of the Back-office and Depository Committee sent a letter already in March 2020 to the Securities Market Agency (ATVP) and to the Ministry of Economic Development and Technology (MGRT) concerning the organisation of general meetings of shareholders (AGMs), since the Slovenian issuers practically do not offer the possibility for AGM remote/online voting and thus to exercise their rights, shareholders have to attend in person, that is, by a proxy, and it was not possible during the epidemic. In May 2020, a letter was prepared for the Central Securities Clearing Corporation (KDD) and the Ministry of Economic Development and Technology requesting the implementation of Shareholder Rights Directive in the Slovenian legal order. Otherwise, the Committee members were informed on a regular basis during the Coronavirus epidemic about the activities of the European Banking Federation in relation to the proposals to postpone application of legislation (SRD II, T2-T2S consolidation, Regulation on improving securities settlement in the European Union and on central securities depositories, etc.).

The Committee members took note in June of the Securities Market Agency's reply regarding the organisation of AGMs with in-person presence during the COVID-19 pandemic. Within the framework of the Committee, the draft company law (ZGD-1K) was discussed in June and the remarks and comments received were agreed, they were sent to the Ministry of Economic Development and Technology. The Committee members dealt with the reply given by the Ministry of Economic Development and Technology in relation to the transposition of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies (SDR 2) into the Slovenian legal order. A letter was sent to the Central Securities Clearing Corporation on the implementation of Regulation on improving securities settlement in the European Union and on central securities depositories (CSDR) primarily with regard to the technical specification.

The working group on depository issues under the Investment Funds and Management Companies Act (ZISDU) set up under the aegis of the Back-office and Depository Committee held a meeting in August to address the issues regarding valuation of funds' assets and partial trade settlements – the possibility for partial settlement provided for under the CSDR Settlement Discipline Regime. A joint meeting was held in November with the

representatives of the Securities Market Agency on asset valuation as a result of different interpretations of a depository's duties in connection with asset valuation.

The Committee members were also informed about the ECB's decision to extend the deadline of the T2-T2S consolidation project by one year to November 2022. In addition, based on the survey conducted within the framework of the Committee, they agreed that regular annual conference should be postponed to 2021.

Investment Services Committee

The Committee tasked with investment services did not have any in-person meeting as a result of the COVID-19 preventive measures. Nevertheless, the Committee members received all materials relevant to the Committee's area of work such as, for example, ESMA'S public statement on the accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9. The initiative prepared within the framework of the Committee was submitted to the Central Securities Clearing Corporation for a discounted to be granted for the duration of the Coronavirus pandemic on fees charged under the Tariffs, primarily when it comes to the fees charged for maintaining securities balance.

The Committee members attended in October 2020 a meeting with the representatives of the OECD on pension insurance reform held in the organisation of the Ministry of Labour, Family, Social Affairs and Equal Opportunities.

Also, the members of the Investment Services Committee agreed with the postponement of the date scheduled for the organisation of a joint conference in 2021. The Committee members were kept posted on all relevant developments falling within the scope of work of capital markets through eBilten – the bulletin published by the Bank Association.

Payment Services and SEPA Project

The Payment Services Committee

The activities carried out by the Committee tasked with payment services were very intense during the COVID-19 pandemic, despite the fact that the communication was via online apps. The working groups for SEPA credit transfers and the working group on SEPA direct debits took note of the proposed changes to the rulebooks governing the following SEPA payment schemes: the SEPA Credit Transfer (SCT), the SEPA Instant Credit Transfer (SCT Inst), the SEPA Direct Debit Core (SDD Core) and the SEPA Direct Debit Business to Business (SDD B2B) were prepared within the framework of the European Payments Council. On the basis of the response received from the members regarding the change request for modification to the rulebook of the respective payment scheme, positions were prepared at the level of the Bank Association and after getting the green light at the meeting of the Committee held by correspondence in the beginning of June, it was sent to the European Payments Council.

On the basis of the Committee's decision that video clips should be prepared for issuers of e-invoices and for recipients of e-invoices, a task force together with an outsourced service provider worked actively in all phases from the conceptual design of the video clips to the finalised proposals and publication of both video clips on the web pages of the Bank Association open to the public at the end of April.

The members of the working group on preparation of a converter for the e-Invoicing standard eSlog 2.0 so evaluated the received tenders submitted by two potential contractors, adequately weighted the relevant elements of the tenders and after obtaining additional information awarded the contract for the production of the converter to the successful tenderer. Based on the decision taken by the working group, a meeting of the Committee was called and held by correspondence meeting at which the Committee members endorsed the selection and determined the way to cover the costs for the production of the converter. In mid-July, a link to the beta version of online converter eSLOG 2.0 was sent to the Committee members

for the purpose of testing the converter and a giving feedback. The eSlog 2.0 converter was presented in the beginning of September and a notification was also prepared for the public in connection with the converter functioning.

At the end of March, the responses to the questions asked in the questionnaire were sent to the EBF on the impact of the COVID-19 pandemic on carrying out payment services in banks and the initiative to prepare a letter for the European Commission to postpone the application of legislative acts falling within the scope of work of payment services. A letter was sent to the Bank of Slovenia concerning the requirements laid down in Article 3b of Regulation (EU) No. 2019/518 in connection with the provision of information related to credit transfers where currency conversion services are used. In addition, within the framework of the Committee a response of the members of the Bank Association to the proposed changes to the provisions in Chapter 11 of the Payment Services, Services for Issuing Electronic Money and Payment Systems Act (*Zakon o plačilnih storitvah, storitvah izdajanja elektronskega denarja in plačilnih sistemih – ZPlaSSIED*) on the transaction accounts register and sent to the Ministry of Finance by the closing date for comments.

The public consultation on the SEPA Request-To-Pay Scheme Rulebook (SRTP) was addressed to the Committee members in June and the comments received, after being approved, were submitted to the European Payments Council at the end of August 2020. In the beginning of June, a proposal was prepared by the Bank Association for National Council for Payment (NSP) at the Bank of Slovenia glede financing analysis of the payment market in Slovenia. All members of the Bank Association, and the members of the working group on cash in particular, received an offer for the presentation of the Cash Cleaner 100 device for banknote disinfection. In June, the Committee members took note of the clarifications of the Bank of Slovenia regarding the submitted questions concerning currency conversion charges levied on credit transfers pursuant to Article 3b of Regulation (EC) 924/2009. Ms. Baracs, the SWIFT representative for Slovenia, shared the information on the availability of SWIFT's solution for Target Instant Payment Settlement (TIPS) with the Committee members who also received the EBA's notification regarding the scheduled training events in

the second half of 2020 (the workshop scheduled for the first half of the year had to be cancelled because of the COVID-19 pandemic).

On the basis of the decision taken by ten members, a joint activity was carried out on the translation of the documents "*Pravila oblikovanja referenc*" and "*Priročnik ISO 20022*" for data exchange for credit transfers into the English language.

The activities within the framework of cooperation with the representatives of Police continued in 2020 in relation to the electronic exchange of data from bank records. To that end, the possibilities for operational process of information sharing requiring the least possible scope of programme changes were examined by the banks.

Within the framework of the working group on the UPN form instructions were prepared for checking regularity of the QR code on UPN QR forms for sub-accounts of central government revenues. The Committee held a video conference at the end of August with the focal point of the meeting being the deadline for adherence to the SEPA scheme for instant payments on 23 October 2020. The Committee also dealt with the identified risk associated with using the SEPA Direct Debit (SDD) Core scheme, mostly seen from the viewpoint of improper granting of mandates for SDD by bigger online merchants.

Also, the last Committee meeting held in 2020 was a video conference and on that occasion the Committee members dealt with several hours long TARGET2 system failure, took note of »European Payment Initiative« and the ECB public consultation on the digital euro. The Committee members learned about the National Adherence Support Organization (NASO) initiative regarding joint adherence to the SEPA scheme for instant credit transfers in two adherence deadlines in 2021 and at the same time expressed appreciation of the progress made in electronic information sharing on bank accounts over the past 13 months – a topic to be discussed within the framework of eSociala with the Ministry of Labour, Family, Social Affairs and Equal Opportunities. As for electronic information sharing on payment transactions with the Police, the Committee members passed a decision to adopt a position on standardisation of reporting for the Police on a later

date. Specifically, whether to apply the approach in place for e-exchange with the Financial Administration (FURS) or to use a consolidated excel table.

Card Operations Committee

Already at the beginning of the Coronavirus epidemic, the Committee members looked into the proposal to raise the limit for contactless card payments from EUR 25 to EUR 50. However, on the basis of the responses received from the polled banks it was concluded that the respondents did not detect customer demand to withdraw more cash in such a way. On the other hand, raising the limit would increase risk. In addition, a notification for merchants was prepared within the framework of the Committee's activities in the first week of the Covid-19 pandemic about the cleaning of POS equipment during the pandemic. Later on, the notification was amended by adding the manufacturer's instructions. On the basis of the letter of the Bank of Slovenia in connection with the modification of the settlement of the Mastercard Payment System, in the beginning of April the leaders of the committee tasked with card-based operations and the leaders of the committee tasked with payment services held a video conference having arrived at the conclusion that the content of the central bank's letter did not refer to the Mastercard multilateral clearing only, but indirectly relates also to the following payment systems: SIMP-PS, *Poravnava kartic* and *Poravnava bankomatov*. On the basis of the decisions adopted at the meeting, a joint meeting of both committees was held by correspondence and on the basis of the adopted decisions, the letters were prepared and addressed both to the Bank of Slovenia and Mastercard, as well as to Bankart, given the fact that the banks endorsed the proposal that Bankart would be the settlement agent for three payment systems. In May 2020, a proposal for the project was prepared for the purpose of achieving compliance with Regulation (EU) 2019/518 serving to put in place infrastructure at the level of Bankart and thus provide information on currency conversion charges on transactions where conversion is done. A meeting of the Committee by correspondence was convened in the beginning of June in order to examine the following documents prepared by Bankart: the Analysis and conclusions made on the basis of the questionnaires filled in by the partic-

ipants in the payment system *Poravnava bankomatov*, Assessment of risk associated with the payment system *Poravnava bankomatov* for 2019, Information security as it arises from the reports of the participants in the payment system *Poravnava bankomatov* in 2019, and the Confirmation of the risk management strategy and methodology in the payment system.

Within the framework of the Committee, a notification for the public was prepared in June containing tips for the safe use of payment cards when on holiday abroad. The second stage was carrying out the activities in relation to the questions asked by journalists. A letter was addressed to Bankart concerning compliance with Regulation 2019/518 mostly in terms of the envisaged time schedule for the organisation of support and expenses. Following a request of the European Consumer Centres Network (ECC-Net) for the need to exchange relevant information, data were updated within the framework of the Committee in connection with contactless payment transactions. At the meeting of the National Payments Council in connection with raising the limit for contactless payment above EUR 25, the Committee members were informed that purchases were fewer during the Coronavirus epidemic and at the same time exceed EUR 50, online payments surged, and plenty of effort was already invested in raising the limit from EUR 15 to EUR 25, largely for the sake of informing customers. As regards the activities undertaken during the COVID-19 pandemic, the EBF circulated information that neither the EBA nor the European Commission were in favour of additional postponement of the implementation of the regulatory technical standards for strong client authentication. Therefore, a letter was sent to the Bank of Slovenia at the end of August with a proposal for a 3-month transitional period in order to provide for efficient and timely information to customers about the novelties. The Committee held a regular meeting in August and on that occasion addressed the VAT item Innovation and Market Development Fee, took note of Bankart's activities aimed at ensuring compliance with Regulation 2019/518 and examined putting in place a new way of transaction settlement using MasterCard products.

At the end of September, within the framework of a regular meeting, Mr. Martinović, Director of Public Policy for Hungary and Slovenia at Mastercard, presented the report of the European Commission regarding the im-

plementation of Regulation 2015/751 on interchange fees for card-based payment transactions in light of putting in place a new way of settling transactions using Mastercard products. It was agreed that banks and savings banks could start with the testing of the new way for settling transactions using MasterCard products in January 2021.

As for the initiative to re-examine raising the cap on contactless payments given at the meeting of the National Payment Council of 1 October 2020, the Committee members once again exchanged opinions regarding the cap of such payments going up from EUR 25 to EUR 50. At the Committee meeting held at the end of November 2020, the initiative to raise the limit was not endorsed given the response of banks and savings banks. However, the Committee could once again decide in the first quarter of 2021 whether or not the limit on contactless payments should be raised or not, in the event that credit institutions get such requests from customers and merchants. Within the framework of the last meeting of the Committee held in 2020, also the date was fixed for staging the online conference on card operations to be organised by the Training Centre of the Bank Association bank in the second half of January 2021.

SWIFT Committee

The committee tasked with the SWIFT-related matters cancelled the traditional annual meeting with the representative of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) for Slovenia for which the date was saved a week before the declaration of the COVID-19 epidemic and was carried out as a SWIFT WebEx session both for the business part and the technical part of the solutions. The Committee members voted at the SWIFT ordinary annual general meeting of shareholders by electronic means and the information for the Central Securities Clearing Corporation (KDD) concerning the terms for the organisation of the assessment under the SWIFT Customer Security Programme was prepared.

The SIBOS 2020 (Swift International Banking Operations Seminar) with the physical presence of the participants in the second half of the year was cancelled and was carried out as an online presentation and online work-

shops. The representative of SWIFT prepared in November a one-day workshop for the members of the SWIFT Committee to present the summaries of the novelties presented within the framework of SIBOS.

Other activities carried out within the framework of the Committee in 2020 comprised information disseminated to the members by the president of the Committee and circulating information regarding the real-time payment development and the SWIFT platform for the optimisation of business processes.

Informatics

Committee for Informatics

In the field of informatics practically all the tasks envisaged in the programme of work for 2020 were also achieved, except for reporting rationalisation. The Committee members gathered to hold a meeting only once in 2020. However, intense coordination of activities and exchanges of correspondence between the Committee members by electronic mail went on throughout the year, mostly in relation to the situation caused by the COVID-19 pandemic.

The entire year under review passed in making adjustments and ensuring conditions for functioning in the COVID-19 conditions. To that end, the Committee members followed closely the adoption of intervention legislation and exchanged concrete opinions on specific issues in connection with the implementation of the intervention regulations in banks' information systems, as well as in relation to the modified organisational set-up that called for the adjustment of conditions to enable work from home. The Committee members were proactive participants in the activities for putting in place reporting under the ZDLGPE² guarantee schemes and Article

2 Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic

65 of the ZIUZEOP³, and appointed a representative in the working group on IT support for reporting.

In January 2020, the representatives of banks met with the representatives of the Surveying and Mapping Authority of the Republic of Slovenia (GURS) to discuss obtaining data for the generalised immovable property values and learn about the novelties in obtaining data from the records after 1 April. In that context, the Committee members went through the materials provided for the meeting and the Instructions for the use of the web-based service for exporting data.

Given the interest of the Committee members, a meeting was held in March with the representatives of the international corporation Halcom and on that occasion, a solution for the management of certificates in a cloud was presented.

Remarks, comments, and proposals were sent on 30 March 2020 to the Ministry of Public Administration in relation to the draft law on electronic identification and trust services (*Zakon o elektronski identifikaciji in storitvah zaupanja*) (ZEISZ) launched by the Ministry of Public Administration on 26 February 2020 for public consultation through the E-demokracija portal. Comments were prepared within the framework of the working group in which there were the representatives of the Chamber of Commerce and Industry (GZS), Bank Association and the Slovenian Association for Electronic Identification and Electronic Trust Services. On 10 September 2020, the draft law on electronic identification and trust services (ZEISZ) prepared for interdepartmental discussion was published on the portal. Since the draft law on electronic identification and trust services (ZEISZ) does not comprise the important submitted comments, they were also sent to the groups of political party in the National Assembly.

As summarised in the introduction, intensive preparations were launched in May 2020 in collaboration with SID Bank for reporting data under the

3 Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy

guarantee schemes as set out in the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (ZDLGPE) in Article 65 of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP). The Committee members took part in the meetings of the working group on setting up reporting and IT support, and examined the materials produced (the time schedule, data charts, controls, protocols for exchanging information, setting up a web service, status of technical preparedness for operation). The Committee members took note of the responses given by the Ministry of Finance regarding the Act Determining the Intervention Measure of Deferred Payment of Borrowers' Liabilities (ZIUOPOK) as of 6 April 2020 in reply to the Bank Association's questions and suggestions.

The answer of the Bank of Slovenia regarding client identification where bank transactions take place remotely and the response to a request to postpone the closing date for the submission of conclusions and preparation of an action plan to dismantle barriers in relation to the EBA's opinion on obstacles under Article 32(3) of the RTS regarding dedicated interfaces for access to payment accounts in which the Bank of Slovenia replied that the 31 December 2020 as the closing date for removing any obstacles had been determined at the European level and that the Bank of Slovenia could not change it.

The Committee continued in 2020 to promote as wide-spread as possible use of the single universal ZBS B2B communication interface by the institutions and partners of the Association's members. In January, information was exchanged with regard to the actual use of the ZBS B2B communication interface for exchanging data and it was concluded that the members of the Bank Association of Slovenia use the ZBS B2B communication interface to draw up reports to institutions, for receiving reports, for exchanging different files and information among the members, and for exchanging various files and data both with insurance undertakings and with their clients, that is, a large roster of economic entities. The ZBS B2B communication interface was used for the first time for reporting data under the ZDLGPE guarantee schemes and Article 65 of the ZIUZEOP, whereas for information sharing on vinculated policies for insurance undertaking

the use of the ZBS B2B communication interface is not envisaged, since the biggest insurance company developed their interface. In April 2020, we addressed a request to the Bank of Slovenia for the use of the ZBS B2B communication interface for immediate reporting to the SISBIZ system, but the Bank of Slovenia turned it down.

Within the framework of the Committee, the responses of the European Banking Federation (EBF) to the consultations of the European institutions were discussed all year long. To name just some of them:

- Consultation on a new Digital Finance strategy for Europe / FinTech action plan for which the European Commission launched a public consultation on 3 April 2020,
- EBF response to the Commission consultation on crypto assets,
- EBF feedback on the Commission's proposal on a Regulation on Digital Operational Resilience for the financial sector (DORA),
- EBF feedback to the BCBS⁴ release of consultative documents on principles for operational risk and operational resilience,
- EUROPOL's Internet Organised Crime Threat Assessment (IOCTA) 2020 report, and
- EBA consultation paper on the draft revised Guidelines on major incident reporting under PSD2⁵.

The Committee was also informed in 2020 on EU cyber news prepared by Europol and the European Cybercrime Centre – EC3 and with notifications to CERT-EU on sectorial threat landscape for the financial sector.

Security Forum

An important and standing task of the Security Forum under the aegis of the Informatics Committee in 2020 was exchanging information and experiences in the field of information security. In addition, the Security Forum was a sort of platform for sharing information on security risk in the state of emergency due to the COVID-19 pandemic.

4 Basel Committee on Banking Supervision

5 Payment Service Directive

The IT Security Forum gathered in 2020 to hold one meeting entirely dedicated to a discussion about security risks associated with the COVID-19 pandemic. However, the members continued to follow closely the adoption of intervention legislation and were kept posted on a weekly basis of the cyber news released by Europol and CERT-EU.

The Committee members held a meeting in June with the head of SI-CERT and the main topic of the meeting was to examine the possibility for in-depth cooperation in sharing information regarding the malicious/malware code, that is, a review of the possibility for including credit institutions in the Malware Information Sharing Platform (MISP) at SI-CERT.

The Security Forum reported in 2020 on a regular basis to the European Banking Federation on the trends and forms of cyber threats exacerbated by the COVID-19 pandemic, and circulated feedback information. Special attention was given to reviewing the Directive on security of networks and information systems (NIS Directive). A comment was prepared for the EBF feedback to the Commission public consultation on digital operational resilience and exchanged ENISA⁶ recommendations when working from home. In addition, the members of the Security Forum were invited to appoint a representative to the ENISA ad-hoc group on Artificial Intelligence (AI) and cybersecurity.

The Security Forum adopted a position vis-à-vis the use of the ZOOM programme in banks and took note of the ECON study "Crypto-assets – Key developments, regulatory concerns and responses" commissioned by the Committee on Economic and Monetary Affairs of the European Parliament (ECON). The questionnaire for the preparation of a study of the European Commission to serve as a basis for changes to the Directive of the Council on the identification and designation of European Critical Infrastructure and the assessment of the need to improve their protection ('ECI Directive') and updated the control questionnaire for carrying out audit of outsourced providers for area Information security and cyber risk. The EBF responded to the request for data on costs for cyber incident reporting.

6 The European Union Agency for Cybersecurity

All the materials of the working group on cyber security that operates within the framework of the EBF, of which the member for Slovenia is the head of the Security Forum, were also examined.

The Security Forum reviewed the following documents in 2020 and prepared responses to the questionnaires listed below:

- EBF response to the EC's digital operational resilience consultation,
- Cyber Bit from the Series "Trend" about the cyber threats related to COVID-19,
- ENISA tips for cybersecurity when working from home,
- European CyberSecurity strategy,
- EBF questionnaire COVID-19 related cybercrime,
- Study Requested by the ECON committee: Crypto-assets – Key developments, regulatory concerns, and responses,
- PCEI questionnaire on European critical infrastructures (ECI) Directive,
- EBF Request for data on costs for cyber incident reporting,
- EBF consultation questionnaire on Digital Operational Resilience for the Financial Sector,
- Europol 2020 IOCTA questions,
- FSB consultation report on Effective Practices for Cyber Incident Response and Recovery,
- EBF participation in the Europol EC3 2020 campaign on cyber scams,
- Annex to the EBF position paper on cyber incident reporting,
- EBF Response Draft 1 to FSB consultation report on Effective Practices for Cyber Incident Response and Recovery,
- ACSC Advisory document on tactics, techniques and procedures used to target multiple Australian networks,
- EBF response to EC combined evaluation roadmap/inception impact assessment on NISD revision,
- EBF response to the EBA request for feedback on consumer trends,
- EBF draft response to EC main consultation on the NISD review,
- EBF Response to ENISA's Survey on the Candidate European Cybersecurity Certification Scheme on Cloud Services,
- EBF response to the FSB consultation on its Effective Practices for Cyber Incident Response and Recovery (CIRR),
- Executive Summary of the Threat Landscape Report for the EU Institu-

- tions, Bodies and Agencies by CERT-EU,
- EBF key messages on DORA: draft regarding oversight framework for critical TPPs,
 - EBA RegTech industry survey,
 - European Commission proposal for a Regulation on Markets in Crypto-asset” (MiCA),
 - EBF question regarding fraudulent transactions with Visa CVV2 and Mastercard CVC2,
 - New Digital Finance Package,
 - EBA consultation paper on the revision of the Guidelines on major incident reporting under PSD2,
 - ENISA Threat Landscape 2020 Report.

The Security Forum worked closely in 2020 with the Police and the national security centre SI-CERT and exchanged data on forms of information frauds.

Public Relations and Publishing Activity

Within the framework of the publishing activity, the electronic version of the Annual Report of the Bank Association for the financial year 2019 was released in April 2020. Within the framework of the PR activity, the activities laid down in the Association’s Communication Strategy were consistently performed throughout the year and their results reported on a regular basis to the Association’s relevant bodies.

The Bank Association pursues the objectives of the Communication Strategy in a consistent manner by following the determined communication values. In the course of 2020, we communicated with the professional and general public, with the member institutions of the Bank Association and with the representatives of the media through different channels and by using different tools and responded to all their questions. We engaged in proactive, as well as in reactive communication. The communication concerning mainstream themes and findings exchanged with the professional public and the Association’s member institutions in 2020 were under the strong influence of the ongoing developments in relation to the COVID-19

pandemic. The members of the Bank Association were regularly informed on the latest developments through the bulletin *e-Bilten*.

In 2020, the committee tasked with PR affairs gathered to hold one meeting only but addressed the topics and considered the steps to be taken by correspondence on 12 occasions to consult on announcements for the public, that is, to agree answers to journalists' questions.

From a cross-section of the media coverage for 2020 an important conclusion arises and namely that articles, announcements, and broadcasts were mostly positive, correct, and unbiased, so the media coverage trend has been stable since 2019. In the course of 2020, the Bank Association was mentioned on 928 occasions, whereas the share of positive mentions in the media coverage has been rising.

In conclusion, we can see tangible signs of trust in the sector being slowly but steadily restored and the visibility and positive perception of the Bank Association of Slovenia raised in the public eye.

Social Partnership

The activities in the field of collective bargaining, that is, social partnership, were among the most important matters the Bank Association worked on in 2020.

In January 2020, the amounts of the lowest base pay from the appendix to the Collective Agreement of the banking sector in the Republic of Slovenia (KPD_b) with the rates of pay were increased and namely considering the official inflation rate in 2019.

The activities for the adoption of a new pay rates schedule were initiated by the Bank Association in 2019. A proposal was drafted for the conclusion of a new pay rates schedule with the same text as the existing one, proposing also to amend Article 6 that regulates reimbursement of costs for transport to and from work, so as to enable banks a different, more flexible calculation model. In addition, it was proposed to conclude the new

pay rates schedule for a two-year period and namely until 31 December 2021. The collective bargaining was not wrapped up in 2019, hence the talks continued also in 2020. The agreement reached in March 2020 led to the parties signing a new pay rates schedule at the end of the month and its registration with the Ministry of Labour, Family, Social Affairs and Equal Opportunities and appearing officially in the Official Gazette of the Republic of Slovenia. The new pay rates schedule to the KPDb was concluded for period from 1 April 2020 to 31 December 2021.

It is worth pointing out that in June 2019, the Constitutional Court of the Republic of Slovenia ruled that there was a discrepancy between the fourth paragraph of Article 33 of the Banking Act (*Zakon o bančništvu*) and the second paragraph of Article 14 of the Constitution and annulled it. The paragraph in question excluded the participation of workers in bank governance through the bodies of corporate governance (management board and supervisory board). In connection with the above issue, the Bank Association's activities went on throughout 2020.

Committee for the Collective Agreement (KPDb)

The members of the Collective Agreement Committee addressed current issues referring to the draft Social Compact for the revision of the wage system in the real sector for the period 2019–2025 prepared by the Chamber of Commerce and Industry (GZS), and also exchanged views on minimum wage. Throughout the year, the Committee members dealt by correspondence with selected important issues and exchanged opinions and hands-on experiences concerning concrete matters. The important activities were focused on the conclusion of a new pay rate schedule.

The Commission for the interpretation of the Collective Agreement (KPDb) held a meeting in 2020 to answer the question about the Commission's opinion regarding the right to extra days of annual leave under Article 97 of the KPDb.

In view of the fact that during extraordinary measures as a result of COVID-19 banks and savings banks mandated their employees to work from home (WFH), starting from those experiences the Committee members adopted a common position that in relation to the initiative to amend the Employment Relationships Act submitted to the Ministry of Labour, Family, Social Affairs and Equal Opportunities it should also facilitate WFH arrangements and make them more attractive and better suited to the needs of employers. We also informed the Chamber of Commerce and Industry (GZS) about the initiative and worked together with their professionals. In June, we received the answer from the ministry in which they undertook to examine our initiative. From the media it could be deduced that similar initiatives were sent to the ministry also by other important partners such as the Chamber of Commerce and Industry (GZS). The Committee members were also included in the preparation of questions concerning the regulation imposing restrictions on banks' profit distribution. The Committee members exchanged views and best practice in connection with certain HR-related issues on several occasions also during the extraordinary situation as a result of COVID-19.

Legal Matters and Regulatory Compliance

The experts tasked with legal matters worked on the organisation of the general meetings, regular, extraordinary, and correspondence meetings of the Supervisory Board of the Bank Association, meetings of the Committee for Legal Matters and the Committee for the Collective Agreement of the Banking Sector, and numerous meetings of the working groups set up within the framework of the aforementioned committees. On top of that, the experts engaged in the area of legal matters provided organisational and administrative assistance to the Compliance Committee and to the Committee tasked with the prevention of money laundering and their working groups. The experts in the area of legal matters also provided administrative support to the Ethics Committee.

In cooperation with banks and savings banks, we prepared a number of initiatives for modifications and amendments to legislation and sent them to the competent the ministry and to the Bank of Slovenia and continued

to keep abreast of the novelties in the legal area that were at the forefront during the year. We took part in drafting comments on the Prevention of Money Laundering and Terrorist Financing Act, Act amending the Banking Act, Central Credit Register Act, Employment Relationships Act and the Enforcement and Security Act, as well as in formulating numerous remarks, comments, and proposals during the emergence of intervention legislation designed to contain the impact of the new coronavirus – COVID-19.

In addition, we joined a number of activities carried out within the framework of other working areas and these activities are described in more detail under respective headings. The activity worth noting in particular concerns the issue of automated access to the credit register SISBON and automated decision-making regarding granting loans and similar banking services without the participation of bank officers. As the year neared its end, we brought to the attention of the Ministry of Justice and the Notary Chamber of Slovenia the difficulties faced by banks and savings banks in practice in relation to making entries in the Register of non-possessory security interests and goods in distraint. The substantiated answer of the Notary Chamber was circulated to legal departments and also a meeting with the representatives of the ministry, banks, notaries and to the Bank Association.

As regards the loans denominated in Swiss Francs, numerous activities went on in 2020 and the specifically appointed task force met several times driven by the importance of the matter. It should also be mentioned that at its every meeting, the Committee for Legal Matters discussed the developments in relation to those loans. In November 2019, the Ministry of Finance once again invited both the Bank Association and the Association Frank to resume negotiations and reach an agreement. However, given the divergence between the two sides, the negotiations ground to a halt in the beginning of 2020. The step taken by the Supervisory Board of the Bank Association was to adopt the guidelines for the resolution of the problem posed by the loans denominated in Swiss Francs based on the starting points provided by the Ministry and made along the lines of the regulations and constitutional principles in force and published on the website of the Bank Association. The guidelines lay down a framework for an extra-judicial agreement on the arrangement to be adopted by the banks and the

borrowers concerning consumer loans denominated in Swiss Francs and which a bank is a lender/creditor, and which have not been cancelled, repaid, converted, assigned, or transferred, and which have not been taken out by the borrowers, which at the time of concluding the consumer loan contract were receiving income in Swiss Francs. Given the fact that the Market Inspectorate instituted proceedings as a result of allegedly unfair commercial practices, the Bank Association prepared the updated guidelines, and the Market Inspectorate halted the procedure by issuing the decision. The Bank Association obtained in 2020 yet another legal opinion regarding compliance of case law of the Supreme Court in connection with the loans denominated in Swiss Francs with the Constitution and the EU acquis.

As regards the aforementioned decision of the Constitutional Court from June 2019 that found a discrepancy between the fourth paragraph of Article 33 of the Banking Act (ZBan-2) and the second paragraph Article 14 of the Constitution of the Republic of Slovenia and annulled it, at the Bank Association, we drew up a proposal together with the representatives of legal departments of banks and savings banks to amend the Banking Act (ZBan-2) with the aim to ensure a balanced cooperation with employee representatives in the bodies governing credit institutions aligned with banking regulations. The Bank Association obtained a constitutional legal opinion that proves the existence of numerous reasons of theoretical and practical nature, as well as those cited in comparative law due to which banks and especially systemically important ones are essentially different from other economic agents when it comes to corporate governance with the participation of their workers and the legislator in accordance with the second paragraph of Article 14 of the Constitution not only may adopt but must adopt a different arrangement for worker participation in bank management than it is the case for other companies. The opinion was also sent to the Ministry and to the central bank.

Within the framework of the working groups of the Committee for Legal Matters, the Instruction regulating the transmission of confidential data complete with the accompanying table was revised.

The area tasked with legal matters working together with other stakeholders drafted the programme for the conference of legal professionals, the

HR staff conference, the anti-money laundering conference, and the conference on compliance-related matters for 2020.

It is worth pointing out other internal activities such as updating certain internal rules and working out solutions concerning employment relations within the framework of the Association, the announcement published in accordance with the Mass Media Act (*Zakon o medijih – Zmed*) in the Official Gazette of the Republic of Slovenia, updating the transparency register, extending the validity of the service brand of the Bank Association of Slovenia (logo/chain-link) and the collaboration in a number of other activities taking place in different areas covered by the Bank Association.

And last but not least, the activities undertaken during the period of Covid-19 pandemic are worth noting as they largely stemmed from the measures taken to contain the Coronavirus spread and the Coronavirus laws. All legal departments of banks and savings banks kept in touch all the time via electronic mail and thus exchanged opinions and practices in real time and formulated common positions. When necessary, meetings of all legal departments were organised via video conferencing and also one meeting with physical presence was held (in compliance with all the prescribed measures for health protection). In addition, their representatives also participated in the video conferences of the ad hoc working group with a mandate to cover the content of the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (ZDLGPE). The staff of legal departments were also included in formulating comments during the preparation of intervention regulations and in the preparation of questions and voicing dilemmas in connection with the adopted laws and decrees. The greater part of those activities concerned the Act Determining the Intervention Measure of Deferred Payment of Borrowers' Liabilities, Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy and the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic and their two implementing legislative acts and towards the end of 2020, with the so-called PKP6 (Sixth Anti-Corona Package of Measures). Legal experts also joined forces in effort to clarify certain dilemmas arising in relation to the central bank's macroprudential restriction on banks' profit distribution (*Sklep*

o makrobonitetni omejitvi razdelitev dobičkov bank). Legal departments participated in clearing up certain dilemmas emerging from intervention regulations (e.g., maximum mortgage, failure to comply with Article 14 of the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic, etc.). Valuable work was done within the framework of the ad hoc meetings of some legal departments and of the special ad hoc working group to prepare samples of mandatory bank statements and clauses under the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic, that is, of the Decree. We were also proactive participants within the framework of that part of the Committee in drafting answers to the questions asked by journalists and consumers, as well as companies. During that period, also the permanent working group on judicial decisions enforcement (Instructions for the enforcement of judicial decisions). Following the restrictions on the work of the courts of law in Slovenia (save for urgent cases) imposed by intervention legislation on the one hand, suspension of enforcement of judicial and tax decision on the other plus practically all payments of aid under the intervention laws were excluded from seizures. The working group did not hold any formal meetings in 2020 but for the purpose of carrying out all the above activities, the members of the working group kept in touch during the period of the COVID-19 pandemic all the time via electronic mail and thus exchanged practices, experiences, and opinions. On top of all that, questions concerning specific issues that fall within the domain of legal matters were formulated and addressed to the Ministry of Finance, the Financial Administration (FURS), and to the Supreme Court of the Republic of Slovenia. Consequently, the most pressing dilemmas were successfully resolved.

Certain initiatives and requests, primarily in connection with a correct use of codes from the payment code list were thanks to the automated processing of decisions circulated to a higher number of stakeholders (Ministry of Labour, Family, Social Affairs and Equal Opportunities, Ministry of Public Administration, Ministry of Finance, Financial Administration, Slovenian Chamber of Commerce and Industry, Slovenian Chamber of Commerce, Association of Centres for Social Work, Pension and Disability Insurance Institute of Slovenia, Slovenian Chamber of Craft and Small Business, ...) in order to enable correct classification of inflows in relation

to the execution of decision on debt enforcement, that is, to forfeit credit funds. We also provided clarifications for AJPES (Agency of the Republic of Slovenia for Public Legal Records and Related Services) in connection with the announcement published on their website – for the business entities to which enforcement was postponed on the basis of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy claims are still reported in the NODURS module with delayed enforcement, whereas reporting the R designation are linked to account blocks and if the account as laid down in the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy is not blocked any longer as a result of all suspended decisions, no reporting of R block can take place.

The working group on the regulating the transmission of confidential data met in the beginning of July and updated the document in conformity with the changes made to relevant regulations and hands-on experiences.

This is a cross-section of the most important issues the Committee for Legal Matters was involved with in 2020. As already underlined, a great deal of time was dedicated to handling the issue of loans in Swiss Francs – a constant item on the agenda of the Committee's meetings. The Committee members also took note of the developments and activities concerning the EU reference rate reform. All three working groups continued work within the framework of the Committee (the recommended instructions for enforcing judicial decisions in banks in for enforcement drafts and the Instructions regulating the transmission of confidential data). The themes for the annual conference of bank law experts were determined. In the course of 2020, the members of the Committee and the members of the working groups addressed specific issues and exchanged opinions and practical experiences concerning other outstanding matters by correspondence.

Compliance Committee

The Committee monitored and dealt with certain matters and the members also shared their experiences from practice, they took note of the information on the termination of contracts to maintain a transaction account by commercial banks, took part in handling matters in connection with the inspection procedure started by the Information Commissioner of the Republic of Slovenia at AJPES over carrying out the provisions laid down in the Personal Data Protection Act (ZVOP-1) and the GDPR Regulation (primarily regarding the possibilities for obtaining data once the Information Commissioner has issued a decision), took note of the proposed revision of the EBA Guidelines on internal governance and eligibility assessment, as well as a draft of the internal material for reporting in accordance with the EU Council Directive known as DAC6, dealt with the issue of minimisation of displayed/transmitted data in accordance with the GDPR data minimisation principle, and the Committee also examined various aspects of the novelties in the implementation of compliance in banks. The draft of the revised guidelines for operational risk management was given particular attention and the comments were submitted to the umbrella group (WG for operational risk).

The work done by the DPO forum – persons authorised for data protection deserves to be highlighted. The DPO Forum gathered on two occasions and also the representative of Information Commissioner of the Republic of Slovenia attended the second meeting. In December, the selected representatives of the Forum attended the EBF DPO Forum.

Within the framework of the Committee also other current matters were discussed and the programme for the compliance conference was prepared and it was held in 2020 in collaboration with the Slovenian Insurance Association.

During the Coronavirus epidemic, the Compliance Committee followed the emergence of intervention legislation and were involved in working out solutions to certain problems touching upon compliance-related issues and the Committee members had a say in the formulating questions concerning the Regulation on restriction on banks' profit distribution.

Anti-money Laundering and Ethical Behaviour Area

Ethics Committee

Established in 2018, the members of the Committee tasked with the matters of ethical behaviour did not meet in 2020 as there were no complaints addressed to them.

Anti-money Laundering Committee

During the year under review, the Committee tasked with prevention of money laundering (AML Committee) looked into a number of current matters. The emphasis was on unresolved issues concerning the implementation of the Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT-1). To that end, the Committee members exchanged opinions and hands-on experiences regarding outstanding issues, such as KYC, that is, aligning the fundamental guidelines for carrying out checks and updating documents obtained for a client, cooperating on the preparation of a national assessment of AML/TF risk, updating the list containing the indicators serving to identify suspicious transactions, etc. In the course of 2020, considerable amount of time was dedicated to the implementation of the guidelines of the Bank of Slovenia on the assessment of risk associated with money laundering and terrorist financing. At the request of the Association's members, the Bank of Slovenia postponed the deadline for implementation to 31 March 2021.

The Committee members engaged on several occasions in electronic exchange of information and experiences from practice concerning concrete matters of which many referred to closing customer accounts – both legal entities and private individuals.

The traditional annual conference of AML/CFT officers was held.

The activities relating to the emergency measures in place with the aim to curb the COVID-19 pandemic are also worth mentioning. When the Coronavirus pandemic was declared, hands-on initiatives concerning client due diligence and screening were instantly drafted and submitted to the Ministry of Finance, the Office for the prevention of money laundering (UPPD) and the Bank of Slovenia. Those initiatives resulted in concrete articles of intervention legislation designed to facilitate client due diligence and screening. With the Office for the prevention of money laundering we aligned positions concerning certain practical dilemmas and agreed sending queries and documentation delivery during the emergency situation. The ongoing communication with the Bank of Slovenia during the emergency situation is also worth noting as we drew attention to the fact that banks were put in an awkward position when opening a basic payment account, since they have to act with due diligence and manage risk associated with money laundering and terrorist financing, and apply restrictive measures, whilst on the other hand the law regulating the provision of payment services restricted such activities.

In that period, the Act Amending the Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT-1) was promulgated without the proposals of the Bank Association and the banking sector, and it was published in the Official Gazette of the Republic of Slovenia at the end of June. At the end of the year, a new version containing the additional amendments to the Act was published, of which some were the proposals made by the Association and its members. The Committee prepared more proposals for modifications and amendments to the draft act amending ZPPDFT-1 addressing them to the Ministry of Finance, the Office for the prevention of money laundering and the Bank of Slovenia.

Moreover, the Committee members took note of the letter of the Ministry of Defence not to open, that is, to close business accounts of companies falling within the scope of defence industry. A series of activities followed and eventually resulted in the preparation of the Guidelines for entering into a business relationship with companies falling within the scope of defence industry.

Products and Services for Individual Consumers

Retail Banking Committee

The Committee members gathered in 2020 at three meetings and one ad hoc meeting. Due to the COVID-19 pandemic, not only the Committee members, but also the representatives of all banks and savings banks were all the time in contact via electronic mail, thus being able to exchange opinions and best practice, even though the positions adopted with regard to the implementation of regulations were not agreed so as to present a single document as a result of different technological supports and the ensuing possibilities for implementation. The representatives of the Committee were also included in drafting remarks and formulating intervention regulations, as well as in the preparation of questions to be asked and dilemmas to be solved in connection with the promulgated laws and decrees. Most activities concerned the Act Determining the Intervention Measure of Deferred Payment of Borrowers' Liabilities and the Ordinance on the temporary prohibition of the gathering of people at public meetings at public events and other events in public places in the Republic of Slovenia and prohibition of movement outside the municipalities.

The activities carried out during the COVID-19 pandemic:

- Gathering and coordinating members' questions and initiatives, as well as comments, in connection with intervention legislation (Act Determining the Intervention Measure of Deferred Payment of Borrowers' Liabilities (ZIUOPOK)),
- Resolving organisational issues and coordinating banks' behaviour in implementation of intervention regulations,
- Establishing cooperation with the Ministry of Labour, Family, Social Affairs and Equal Opportunities (MDDSZEM) concerning payments of social transfers (regular and extraordinary) so that funds were credited already in early morning hours thus enabling banks to enter them in the accounts and making them available already in the morning to the

beneficiaries who can draw down funds on the same day despite banks' shorter opening hours,

- Establishing cooperation with the Pension and Disability Insurance Institute of Slovenia concerning payments of pension benefits in the same way as arranged with the Ministry of Labour, Family, Social Affairs and Equal Opportunities,
- Gathering and updating data referring to opening hours of certain banks and savings banks for the purpose of informing the public and payers of social transfers,
- Cooperating in drafting answers to the questions asked by journalists about moratoria for loan repayments,
- Drafting clarifications for the Social Work Centres Association and the Association of Municipalities of Slovenia concerning digital accessibility of bank services (remote banking) and the possibilities for customers for banking by proxies.

Within the framework of other activities, the Committee for Retail Banking worked throughout the year under review on monitoring and analysing the developments falling within the scope of work with private (affluent) customers. To that end the Committee collaborated with the Ministry of Public Administration (MJU), Ministry of Labour, Family, Social Affairs and Equal Opportunities (MDDSZEM), Consumer Association of Slovenia (ZPS), and the Bank of Slovenia.

During 2020, the Committee members carefully watched the effects of the Regulation on macroprudential restrictions on lending to households and also addressed several letters to the Bank of Slovenia with the same topic (a proposal to abolish the Regulation, questions in connection with the implementation of the Regulation and taking into account a borrower's income during the Covid-19 pandemic). The next step taken by the Committee was to come up with the initiative to simplify the implementation of the central bank's macroprudential measure in the area of lending to households by changing the rules for the calculation of a borrower's disposable income that would be in line with the practice followed by other creditors.

The Committee members examined the material of the Consumer Association (ZPS) elaborating on the difficulties borrowers had with loan repayments and drafted a proposal to amend the brochure. They also examined the opinion of the Consumer Association concerning transfer of loan assets where a bank assigns rights under the loan to an asset management company and held an ad hoc meeting with cost reimbursement in relation to loan pre-payment as a topic. The Committee determined that some expenses could not be reimbursed, since they referred to loan approval and loan prepayment does not mean lowering those expenses.

The Committee also looked into several initiatives of the Social Work Centres Association. Two explanations were prepared and namely regarding the possibilities for exercising powers of attorney through guardians and opening bank accounts for persons under guardianship. Furthermore, also the initiative referring to a payments market survey in Slovenia was examined and endorsed. The Committee members took note of the initiative of Kariera, an HR company, concerning cutting back the administrative procedure borrowers have to follow in order to obtain payroll certificates – one of the conditions to apply for a loan. The Committee found out that it would not be possible to adopt a single form for all borrowers. Taking the matter further, the Committee members also highlighted obtaining uniform data and decided to seek a possible solution to the problem.

The president of the Committee together with the director of the Bank Association of Slovenia attended a meeting organised by the Social Work Centres Association on shrinking the ATM terminal network. The Committee decided to seek a possible solution and proposed that the following should be taken into consideration when an ATM is to be removed:

- In the case that an ATM terminal is to be taken out of service and it is important for the local community, the bank should notify the mayor about it in advance and engage in a dialogue with the local community about the planned action and a possibility to provide an alternate channel for withdrawing cash.
- In the case that an ATM terminal is to be taken out of service in a smaller rural community, that is, the last remaining ATM terminal, the bank should inform the Bank Association about it, so that other banks and

savings banks could be contacted to check if they may be interested in installing an ATM in that area.

- Preserving an ATM, which does not fulfil the criterion of the number of transactions to remain in operation, should be supported by the government (Regional Development Fund) and, where necessary, also by the concerned municipality, that is, the interested local institution, that is, organisation that would bear part of operating/maintenance costs.
- Another possible alternative solution would be to enable cash withdrawal (purchase) at merchants' POS terminals – a service already in place in some neighbouring countries. However, no such immediate solution would be feasible since the technology for the POS terminal network should be first upgraded and links on the merchant side set up.

In that context, the Committee members elaborated on the possibility to withdraw (purchase) cash at a POS terminal.

The Committee members followed the survey conducted by the European Commission on payment account switching (cross-border), transferring the account number to another bank and re-routing funds in the account. Further on the topic, it should be emphasised that no demand for such a service was identified. The Committee members also took note of the survey conducted by the European Commission on the improvement of credit advisory services and also attended the workshops on over-indebtedness of borrowers and the issue of (the absence) lending in a foreign currency.

The Committee members looked into the initiative to simplify the procedure for the calculation of a borrower's annual income, so that borrowers applying for lower amounts of consumer loans would submit to the bank their payrolls only for the last (previous) quarter. As a result of the consequences of the Regulation on macroprudential restrictions on lending to households, there is no level playground for banks in comparison with other providers of consumer loans starting with the treatment of supported family members. Under the current arrangement, borrowers have to give to a bank 12 payrolls even for relatively low amounts of consumer loans and it is a burden for a borrower to gather the documentation.

The Committee also reviewed and revised the content of the portal www.vseobanki.si

Also, in 2020, the Committee members agreed on the opening hours of branches of banks and savings banks on 24 and 31 December 2020 until 12 o'clock (noon) and through the Bank Association of Slovenia informed the general public.

Working Group on Security of Persons and Property

The members of the working group did not meet formally in a meeting as a result of the Coronavirus epidemic. Nevertheless, the members of the broader working group in which the representatives of all banks and savings banks are included were in touch via electronic mail exchanging opinions and good practice. When the Ordinance on the temporary prohibition of the gathering of people at public meetings at public events and other events in public places in the Republic of Slovenia was adopted, they started the cooperation with the Police to ensure security in bank branches. The members of working group also exchanged information on attacks, since mandatory wearing of personal protective equipment (face masks) presents higher security risk. Within the framework of the working group also the initiative was given to obtain offers at the level of the Bank Association for the purchase of personal protective equipment for employees working at banks and savings banks, and to shortlist reliable suppliers of such equipment and procurement offices of the Bank Association's members were organised at the level of the Association.

The activities carried out during the COVID-19 pandemic in 2020:

- sending a letter to the Police to make arrangements for the provision of security at bank branches due to the risk posed by the mandatory wearing of protective face masks by customers,
- exchanging experiences and coordination with regard to the use of personal protective equipment at bank branches for the purpose of protecting health of staff and customers,
- exchanging information on incidents that are a consequence of wearing protective masks in bank branches and experiences with regard to inspections in connection with the use of personal protective equipment,
- compiling a list of required personal protective equipment and collect-

- ing offers for the collective procurement of personal protective equipment for the Association's members,
- shortlisting reliable suppliers of personal protective equipment on the basis of the past members' references,
 - organising procurement offices within the framework of the Bank Association also for collective procurement of PPE in the future at the level of the banking sector.

Within the framework of other activities, the working group engaged in the implementation of the recommendations falling within the scope of work of physical security – best banking practice in banks and savings banks security, cooperated with the institutions from that areas (the Bank of Slovenia and Police) and shared experiences. The work on the revision of the Minimum recommendations for security of banking operations in the area of the protection of persons and property continued and the members of the working group participated in a short survey of attacks on conducted with the aim to facilitate the preparation of pre-emptive actions within the framework of the members. At the end of the year, a survey on the forms of attacks on banks in 2019 and 2020 was conducted.

Bančni Vestnik

In the course of 2020, 12 issues of the Slovenian banking journal were published: eight single and two double issues. The COVID-19 pandemic was the single topic of two theme issues published in May and in June. Article on the effects of the Coronavirus pandemic on the economy and banks were published in every issue from April onward. The Editorial Board of Bančni Vestnik identified the subject matter and made suggestions for both subject matter and potential authors for the special international edition published on 2 November 2020 focusing on Climate change as a financial risk for banks.

During the year under review, promotional activities were carried out with the objective of increasing the visibility of the journal both among member institutions of the Bank Association and other target audiences as potential subscribers. Currently, Bančni Vestnik is circulated to 883 subscrib-

ers or roughly 100 more than before the journal changed over to a digital publication. Marketing activities undertaken to promote the journal and ensure good customer service will continue also in 2021.

Training Centre

At the Training Centre of the Bank Association of Slovenia, we carried out the activities at the start of the year in accordance with the endorsed Time Schedule for 2020. However, our plans and a large part of the already agreed programmes for the first half of the year were changed early in March by the measures to contain the spread of Covid-19 infections that remained in place with different scope throughout the year.

The situation required the suspension of all activities where a personal contact between the attendees of training courses was envisaged. At the beginning we focused attention primarily on fast and timely notification circulated to all stakeholders to inform them that the announced training programmes were cancelled: lecturers, registered participants, personnel departments of the Association's members and other financial organisations and outsourced service providers (technicians, interpreters). Since we carry out most of our programmes in rented classrooms and halls, given the precarious situation caused by the Coronavirus pandemic, throughout the year intense talks and negotiations went on with the aim to book facilities in line with the criteria of the National Institute for Public Health.

We also cancelled physical presence at the meetings of the working bodies at the EBF and EBTN and continued during the year to attend live online meetings. Furthermore, the already agreed participation of the representatives of the Slovenian schools at the European competition in financial literacy in Brussels had to be cancelled as well.

For the majority of the spring programmes for which physical presence was foreseen, we agreed with the training providers to postpone the courses to later dates, and it led to a considerable increase in the envisaged activities in the second half of the year.

As epidemiologic measures were imposed, we immediately turned the focus of our attention to the programmes delivered as e-training courses. All the employees of the Bank Association completed successfully online courses in spring 2020 for the use of Microsoft Teams and regarding information security at a workplace. We updated the training programme on the prevention of money laundering and terrorist financing both for banks and for leasing companies, we produced a new, shorter version of the AML/CFT training programme for all employees including those whose work is not directly connected with that area. We increased the frequency of calls to register also for other e-learning courses: GDPR and personal data protection, Loans made to consumers for the purpose of buying residential property and a new training programme launched in the beginning of December: e-DAC6, exchange of information under cross-border arrangements. All training programmes end with testing acquired knowledge.

In 2020, banks used work at a distance to commit their employees to e-forms of training. At the Training Centre, we had regular calls to enrol in training courses for the Association's members, but we also organised tailor-made courses for individual member institutions, especially for those with a high number of employees. In our e-programmes we had a record high number of participants in 57 e-classrooms: 3,345 (755 in 2019) or 4.5 times more participants than a year earlier and more than ever.

Even though in such extraordinary operating conditions and without the possibility for a personal contact, we managed also in 2020 to dedicate time to financial literacy of both the young and the elderly by joining European activities through the European Banking Federation (EBF) and by carrying out events in our organisation. For the European Money Week (23-27 March 2020) we prepared a rich programme for schools, prepared the module for primary and secondary schools, a gathering of different stakeholders operating in the field of financial literacy in the financial sector with the leader of the financial literacy project at the European Banking Federation, agreed to stage the event at the House of the European Union with the presentation of the multimedia centre of European financial institutions. Unfortunately, we had to cancel all those events at the eleventh hour.

Even though we were forced to cancel all the agreed and already prepared events in March, we continued to carry out the activities in the field of financial literacy. After the EBF cancelling the European Money Quiz finals in presence in Brussels, we competed online at the national level at the end of April. As many as 155 students from eight classes and five schools registered despite the fact that a public health emergency was declared and the conditions at schools were difficult. In collaboration with the EBF we also prepared all the necessary instructions for pupils/students and their mentors and coordinated the necessary activities so that could also take part in the Grand Final of the European Money Quiz 2020 held online on 16 June. Last year's winner of the European Money Quiz from Slovenia who was also 2020 national winner, was the only finalists from the European countries invited to take the stage and share her views on the significance of financial literacy with thousands of young people across Europe.

At the time when physical in-person organisation of training programmes at schools was suspended, we got in touch with interested stakeholders for the preparation of new modules for different age groups, both for pupils and students, but also for older and disadvantaged persons. Among other things, we examined the possibilities for cooperation with the representatives of the Slovenian Banking Museum established by the NLB Group, Ljubljana City Library, schools, Centre for Vocational Education of Slovenia, competent committees at the EBF, EBTN....

The 2020 training programmes dedicated to financial literacy ended with the online training course on financial and digital frauds held during the International Fraud Awareness Week on 18 November for the primary school that actively encourages its students to acquire the necessary financial knowledge and also win at the Money Quizzes in the organisation of the Training Centre the Bank Association. To that end, we created a quiz on financial and internet frauds, and inspired students by providing lectures given by the representatives of the Bank of Slovenia on counterfeited cash, by the speakers from the Slovenia's Consumer Association on the cases fraud from practice, by the speakers from the House of the European Union on the opportunities for the young in Europe, and by the expert from the Bank Association on managing our money the right way. For the competition held within the framework of the International Fraud Awareness

Week: "European Ethics Bowl", we prepared awards for the winners: free enrolment in our training programmes. We also responded to the call of the Ljubljana Stock Exchange for the Bank Association to take part in the event called "The Door into the World of Finance".

The centre-stage activity of the Training Centre of the Bank Association is professional complementary education and training in the banking and financial sector. In 2020, in collaboration with the competent committees we organised nine meetings of experts specialising in individual areas of banking: The Banking Conference, The Day of Slovenian Bankers and The Technical Meeting of Members of Supervisory Boards and Management Boards. We adjusted the scope and content of the meetings held in 2020 to the current events taking place in the financial and economic environment. Nevertheless, we still had to align the organisation model and the timing with the current situation, so as to comply with all the imposed restrictions in connection with limits on gatherings. Out of all pencilled in dates, we only managed to hold two conferences indoors (on payment services and on the prevention of money laundering and terrorist financing) and the June Banking Conference for which we also provided the option for online attendance. We carried out four conferences online via MS Teams (the conferences of HR officers, corporate lawyers, compliance officers, and the two-day conference on risk management at banks). The traditional Day of Slovenian Bankers was held online via the Zoom meeting with simultaneous interpretation. The two-day gathering of members of supervisory boards and management boards of banks and savings banks was also held online using the MS Teams application with the possibility of interactive participation in the meeting also in the English language. As many as 570 participants took part in conferences, meetings of experts and gatherings of professionals. We were delighted to see such a strong response of the members of supervisory boards as so many of them signed up for the events held in 2020 and called on us to organise similar gatherings also in the future. Acting on the proposal from the competent committees, we postponed four conference to 2021: the gatherings of internal auditors, treasurers, back-office and depositary office, and investment bankers, IT experts and accountants.

Other scheduled training programmes such as seminars, workshops and schools were carried out in accordance with the plan adjusted and, if necessary, to the requirements of online organisation.

Following the members' initiative, we opened the year with a new training programme: "Financial instruments and investment services". The programme is intended for employees whose job is to provide information to their clients on financial instruments, structured deposits, investment services and deals, as well as ancillary investment services. In the programme we encompassed the contents stipulated in the regulations of the Securities Market Agency. The training and the final test were held on two occasions and the total number of the candidates was 66. We organised one more online training session for 37 candidates in the beginning of December 2020 with the updated programme and the final knowledge testing.

We finished with the lectures delivered according to the training syllabus of the Banking School 2019/20 in January. The final test held in February was successfully passed by 21 candidates who also received the Triple E EFCB European Foundation Certificate in Banking. Two days of the January part of training dedicated to the themes falling within the scope of risk management in banks were open also to other interested attendants who also received a book on banking titled "*Bančno poslovanje*" in which the area is explained in detail. We will continue with a similar practice also in the future. In October and in November 202, we staged the first and the second part of the Banking School 2020/21 ending in January with the final test in February. The participants follow the lectures online, as the study material for the training programme, in addition to the presentations, they also received the textbook titled "*Bančno poslovanje*" written with the aim to help candidates prepare for the final test. Such a combined method of studying (blended learning) worked particularly well in 2020, since the participants are able to plan time for studying and in preparation for exams more easily.

In January, we also delivered a four-day training programme: Financial company analysis for 19 participants from eight banks and ended with the Conference on Payment Services with the audience of 110 persons at the presentations. In the payment services area, we organised in March 2020 a four-day training with final knowledge testing. When the situation

permitted, we held nine 9 workshops with physical presence on spotting fake banknotes and two training programmes for exchange operations and continued with other programmes delivered online also for the programme: Analysis of corporate plans and cash flows.

In line with the mandate given by the Securities Market Agency, we continued to carry out examinations for stockbrokers. On the proposal of the Examination Committee for the recognition of the professional skills for stockbrokers, we updated in 2020 the scope and content of the training programme for the exam. After the Examination Committee endorsed changes to the rules governing the form and criteria for testing the knowledge/skills required to engage in stockbroking transactions, the scope and content of the examination, recommended literature, exam time schedule and the list of examiners, in the beginning of September, acting in accordance with the contract concluded with the Securities Market Agency (ATVP), we published information on the website of the Bank Association and undertook updating of the training programmes for all three examinations: executing clients' orders (A exam), dispensing investment advice (B exam) and administration of financial instruments for the account of clients (C exam). The training programmes delivered as three courses in October and November attracted 45 participants. We organised online examinations on 10 December via the MS Teams application by solving tasks in the Exam.net environment.

Our cooperation with the members of the European Banking & Financial Services Training Association (EBTN) was taken to a new level in 2020 by becoming member of the Board of Directors and the Triple E EFCB Committee. The latter prepared a review of the content of the programme endorsed by the EBTN Board of Directors and offered by us within the framework of the Banking School. We also took part in online meetings of other committees and webinar of the EBTN.

At the European Banking Federation, we take part in the project team for financial literacy. We participated in the preparations for the European Money Week scheduled to take place from 23 to 27 March 2020, in the project European Money Quiz and in the preparations of the publication Financial Literacy Playbook for Europe. It provides a valuable snapshot of the bank-

ing industry's financial education initiatives across Europe, that is 35 European countries and can be used as a country-by-country reference guide by decision-makers regarding additional activities necessary for boosting financial literacy. The guide was published on the EBF website in November 2020.

Furthermore, we collaborate with the Centre of the Republic of Slovenia for Vocational Education and Training in the regional committee (*Poslovanje in uprava*) tasked with reviewing proposals to adopt vocational qualifications and in the Development Council of Ljubljana urban region.

The Training Centre of the Bank Association strives to maintain its programmes at a high professional level, to fulfil the standards for recognition by competent institutions for proving staff qualification to the regulators and supervisory authorities, as well as for renewing different licences for work. We wish also in the future to maintain active cooperation with domestic and foreign stakeholders connected with the activity of our members: the Bank of Slovenia, the Securities Market Agency (ATVP), ECB, EBF, EBA, competent ministries, the Office for the Prevention of Money Laundering (UPPD), the Financial Administration of the Republic of Slovenia (FURS) and other institutions. And last but not least, we wish to express out special thanks and acknowledgement to the Bank of Slovenia for their support to the education and training activity by taking part in the creation of content of the programmes, as well as for the readiness of their representatives to play an active role in the programmes of the Training Centre of the Bank Association.

The Training Committee

The members of the Committee for training gathered three times in 2020. At the meeting held in January 2020, the Committee endorsed the Report on the work of the Training Centre of the Bank Association of Slovenia for 2019 and took note of the information regarding the blueprint of activities and the catalogue of the training programmes of the Association's Training Centre for 2020. They also examined the initiative of the Centre for Vocational Education and Training to revise vocational standards for banking

and concluded that for a decision to revise the standards or not, further information would be needed about interest schools may have for programmes with banking-related content. The Committee also appointed a working group on the preparation of the topics to be covered at the conference of staff working in HR departments in March later on cancelled at short notice due to the situation caused by the Coronavirus pandemic.

The second Committee meeting was performed online, starting with the interactive presentation and discussion with the title: »Agile organisation, agile leader and agile team« led by the outsourced experts, it continued with a discussion about the activities envisaged until the end of 2020 and the positions of the members concerning different forms of education and training.

At its third meeting, the Committee dealt with the current activities of the Training Centre until the end of the year and the proposal of the Time Schedule for 2021.

Leasing operations

Visibility: The COVID-19 affected all walks of life in 2020 and leasing activity was no exception. Statutory moratorium on repayment of contractual obligations was duly observed and granted also by the leasing companies in line with the needs of their clients. Since intervention legislation did not encompass business of leasing companies, their target groups were informed on the steps taken (Bank of Slovenia, Slovenian Chamber of Commerce, and Industry, etc). As lifting the measures imposed to contain Coronavirus for retailers did not include lease financing at the same time, consumers were not able to tap lease financing and hat inconsistency was brought to the attention of competent institutions.

The Bank of Slovenia introduced also for leasing activity the macroprudential measure limiting pay out of profits due to possible worsening conditions for doing business in that line of activity caused by the consequences of the COVID-19 pandemic.

Membership: In the course of 2020, two new members joined the leasing part of the Association's membership: DH Leasing d.o.o. and VFS d.o.o. The trends seen in the past, such as, for example disposing of some leasing companies and their inclusion in other banking groups, winding up certain leasing companies and similar measures leading to a plunge in the number of members – the developments that also took place in practice in certain members of Leaseurope and also in Slovenia, were ended by the time the COVID-19 pandemic started.

Vehicle leasing area: In the most important area of leasing companies' activities also in 2020 there was the re-launch of the legislative procedure to modify and amend the Road Traffic Rules Act (*Zakon o pravilih cestnega prometa*). Namely, in order to facilitate sanctioning of traffic offences, as opposed to the current solution where offending users of the leased vehicle are punished, the new law stipulates direct responsibility, that is, punishment of the vehicle owners. The procedure was not completed by the end of the last year and will be resumed in 2021. Together with the Slovenian Chamber of Commerce (TZS) we took part in the process of the preparation of new motor vehicle taxation (Motor Vehicle Tax - DMV).

Anti-money laundering and combating the financing of terrorism (AML/CFT): Compliance with the Prevention of Money Laundering and Terrorist Financing Act (*Zakon o preprečevanju pranja denarja in financiranja terorizma* – ZPPDFT) in practice went smoothly without any significant problems. The e-PPDFT training course for leasing activity was adapted to the news in the field and attracted staff from Slovenia's leasing companies. The proposed changes to the Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT) based on the comments submitted in relation to the area of leasing and banking operations are in the legislative pipeline.

Personal data protection: In the field of the implementation of the General Data Protection Regulation (GDPR), lively exchange of both information and good practice went on in 2020 above all with the working bodies for the banking area, as well as with other stakeholders such as chambers of industry and commerce (GZS; TZS; ZIT) since even when it comes to a daily routine, there are many questions that require answers in connection with the GDPR sensible implementation and its influence on other legislative

acts such as, for example changes to the Central Register Act (ZCKR). The new law governing personal data protection (ZVOP-2), together with the numerous adopted proposals given by the industry, is still in the legislative procedure. Its promulgation is believed to take place once punitive provisions have been finalised.

Tax and accounting area: Also, in 2020, complications appeared in practice in connection with the opinion issued by the Financial Administration (FURS) with regard to contract termination and VAT charged in such cases even though it was in general in the line with our agreement with the FURS, also in connection with the recent court rulings that should regulate similar situations. The difficulties arose again from the way in which contracts were terminated, since the situation on the ground differed from the situation referred to in the opinion. In connection with that issue, the European Court of Justice handed down its interpretation responding to a complaint lodged by one of the members and then also the national court gave its ruling but the substance of the matter still remains unresolved. A specific issue indirectly relating to it emerged in connection with the judgement handed down by the EU Court of Justice regarding sale-and-lease-back transactions on the basis of which the Financial Administration of the Republic of Slovenia (FURS) issued new guidelines. The treatment of such transactions from a VAT perspective was addressed also with the help of an outsourced tax consultant and the adopted position was submitted to the Financial Administration (FURS). After years of discussion and proposals, new accounting standards IFRS 16 Leases were adopted with effects on operations of leasing companies and their clients, both within the general area of all leases and concerning leasing transactions.

Reporting to the Bank of Slovenia and statistics: Reporting went on without any major difficulties. All matters that arise on one or on the other side are dealt with immediately. The time lags in publishing reports were shortened.

Proposals for the improvement of legislation with regard to insolvency legislation and debt restructuring: At the end of the year, together with other institutions representing relevant economic activities, we received consultation and commenting yet another announced change to insolvency

regulations and namely the act amending the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (ZFPPIPP-H) designed to implement the directive on the so-called »second chance«, as well as certain changes based on the decisions of the Constitutional Court and to correct the deficiencies identified in the changes made so far. As it was also clearly stated in the National Assembly, and even more so as a result of the infamous »simplified company dissolution procedure« in relation to which, as well as in relation to other solutions in place in the current insolvency legislation, we pointed the finger at abuses arising in connection with them, particularly against the backdrop of the preparations for the new EU directive on the so-called »second chance«, arguing in favour of a simultaneous overhaul of the complete too complicated and illogical Slovenian insolvency legislation.

Real-estate area: Also, in 2020, immoveable property leasing transactions were not focus of attention of the companies engaging leasing activity and the statistical data of the Bank of Slovenia continue to reveal a downturn trend due to different reasons including reclassifying operating leases into ordinary leases, so they are not shown in the statistics any longer. A certain portion of the leasing companies still engage in immoveable property leasing and have immoveable property from leasing agreements concluded in the past. Therefore, also that portion of leasing transactions is still monitored. To that end, we also watched closely the developments in that area and, in particular, any and all drafts of new legislation falling within the scope of real estate taxation.

Consumer protection: In the field of financing consumers, the fundamental question asked in 2020 was whether leasing transactions were allowed during the period in which no services could be offered to consumers, save for explicitly permitted exceptions. The unsubstantiated responses of the official institutions were negative. The additional source of confusion was the impossibility of identifying clients for remote access to the SISBON system. In that regard the issues relating to the implementation of GDPR and the issue of (clearance) for accessing information in SISBON – debt-to-income ratio when a consumer loan is to be granted to a sole proprietor (s.p.), that is, a free-lancer and vice versa. The issue has still not been finally resolved with the Bank of Slovenia.

The European Commission conducted also in 2020 a review of carrying out regulations governing consumer lending by EU Member States and on the basis of the conclusion drawn announced legislative changes for 2021.

SISBON – Central credit register: In accordance with the Central Credit Register Act (ZCKR), leasing companies joined the SISBIZ system in 2020 as laid down in the Act and thus completed their inclusion as regards corporate financing and complied with the provision requiring that they would sign up within four years at the latest following the adoption of the Act. In that context, a dialogue with the Bank of Slovenia went on during the whole 2021 to clarify outstanding matters by transmitting the responses given by the Bank of Slovenia directly to the members concerned. With the Bank of Slovenia (SISBON, Central Credit Register) and the Ministry of the Interior and the Ministry of Justice together with banks, the talks are still going on about automated and rational obtaining of data from the population register, that is, from the Financial Administration (FURS), which should curb frauds detected in 2020 made possible by then absence of cross-referencing data.

Extrajudicial dispute resolution: In the course of 2020, not a single consumer took legal action against a leasing company.

Leasing Days: In 2020, the event did not take place due to the situation caused by the COVID-19 pandemic.

International Activities

The Bank Association of Slovenia stepped up its activities in 2020 also in the field of international cooperation. The cooperation with international bodies gained momentum especially after the outbreak of the COVID-19 pandemic, mostly as the processes serving to put in place measures to mitigate negative consequences on borrowers' creditworthiness after the measure of deferred payment of borrowers' liabilities was adopted, as well as to ensure additional liquidity for the economy after a slowdown of economic activities due to the health protection measures for at the European and national level. The cooperation was running at the European level directly

with the EBA and through the EBF. The Slovenian representatives were actively involved with the work of the EBF mostly as members of the working bodies in the areas of strategic importance for the Slovenian banking system. On top of that, in 2020, they were also included with the EBF's working bodies in the field of cyber security, moratoria, non-performing assets, as well as with other ad-hoc working bodies connected with the operations of the banking sector in the COVID-19 situation. Due to the effects of the pandemic, the Bank Association did not host the scheduled events with international attendance; however, a few were held as shorter video conferences. Nevertheless, the voice of the Association's members was heard throughout the year also by presenting positions in the procedures for the adoption of new regulatory and supervisory requirements, both directly with the EBA and by harmonising common positions of the entire European banking sector within the framework of the EBF's activities. The cooperation with the EBF was particularly active when it came to making changes to the organisation of the European Money Quiz as a consequence of the COVID-19 pandemic.

In the field of leasing activities, international cooperation also in 2020 was mostly with the European Federation of Leasing Company Associations – Leaseurope by making proposals comments concerning the positions advocated by leasing activity to the draft European regulations and by providing data for the statistics. Furthermore, we collaborated with Leaseurope in connection with the problems identified in the course of the implementation of the European directives regulating consumer credit in the form of financial leasing. The conclusion was that the directive was implemented very differently: from Denmark where it does not apply for financial leasing, to other Member States including Slovenia, where the line between the two kinds of financial is blurred. Sharing best practice in relation to moratoria, the position of leasing activity and perspectives, etc. against the backdrop of the COVID-19 pandemic, alongside sharing best practice of the national and supranational anti-monopoly bodies. In that context Leaseurope commissioned the audit review of its operations and then implemented changes in statistical reporting.

Members of the Bank Association of Slovenia*

Banks and Savings Banks

Addiko Bank d.d.
Banka Intesa Sanpaolo d.d.
Banka Sparkasse d.d.
BKS Bank AG, Austria, Bančna podružnica Ljubljana
Delavska hranilnica d.d. Ljubljana
Deželna banka Slovenije d.d.
Gorenjska banka d.d., Kranj
Hranilnica Lon d.d., Kranj
Nova Kreditna banka Maribor d.d. Maribor
Nova Ljubljanska banka d.d., Ljubljana
Primorska hranilnica Vipava d.d.
Sberbank banka d.d.
SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana
SKB banka d.d. Ljubljana
UniCredit Banka Slovenija d.d.

* As of 31 December 2020.

Leasing Companies*

BKS-Leasing družba za leasing, financiranje in trgovino, d.o.o.
DBS Leasing, leasing d.o.o.
DH Leasing d.o.o.
GB Leasing, d.o.o.
NLB Leasing d.o.o. Ljubljana – v likvidaciji
RCI Banque, France, Bančna podružnica Ljubljana
SKB Leasing d.o.o.
SKB Leasing Select d.o.o.
Sparkasse Leasing S, družba za financiranje d.o.o.
Summit Leasing Slovenija d.o.o.
VFS financial services

* As of 31 December 2020

Professional Team of the Bank Association of Slovenia

mag. Stanislava Zadravec Capriolo, Director
mag. Kristijan Hvala, Head of Banking Economics Area
Karmen Strgar, Office Secretary
Novica Novaković, Head of Legal Office
Borut Tomažič, Payment Services Specialist
Azra Beganović, Administrative Clerk
Aleksandra Žibrat, Editor, PR Coordination

Bančni Vestnik

Mateja Lah Novosel, Editor-in-Chief of Bančni Vestnik, Journal for Money and Finance

Training Centre

Viljenka Markič Simoneti, Head of Training Centre
Ksenija Jaklin, Professional Assistant

Leasing Activity

Boris Bajt, Head of Leasing Activity