



## Annual Report 2021



ZBS<sup>1</sup> Združenje bank Slovenije



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for the Financial Year 2021



ZBS<sup>1</sup>/Združenje bank Slovenije

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# Statement by the Chairman of the Supervisory Board

The year 2021 will be yet another year etched in collective memory primarily because of the epidemic of global dimension and the fight against the invisible enemy, which has had a significant impact on our settled way of life and our perception of the world.

The CORONA-19 pandemic has demanded from us all to be extraordinarily flexible. However, seen against the historical backdrop is far from being unique. Epidemics and many destructive wars in history have caused distress at a much larger scale. Also because this time, thanks to unprecedented technological advances, the mankind has been able to embrace practically overnight a paradigm shift in way people used to live and work and, by accelerating vaccine development, also in health care.

Much to my satisfaction, the issue of sustainability of all the things we as temporary residents of this planet are doing has come to the forefront. I do hope and wish from the bottom of my heart that at this particular time, the urgently needed sustainability mindset leap has happened and that we are going to co-create a brighter future together with the new generations.

The technological breakthrough has given an additional impetus to certain recent trends in service activities and banking industry is not immune to these developments.

Work from home has become 'the new normal' for many, our customers can already obtain most universal financial solutions via mobile and web-

based apps available 24/7. This is a historical period from which we, bank professionals, have emerged stronger and more self-confident.

Fast adjustment and acceleration of trends is also a response of traditional banks to a challenge posed by fintech startups. In the face of a pandemic and the need to protect human health, the banking sector started to invest rapidly in end-user experience having seen that fintech providers are struggling with economics as we in the banking sector have predicted a while ago; hence their services will not be handed out free of charge in the long term. Fintech providers will most likely be merged, acquired or will migrate to the banking environment.

Besides the effects of the COVID-19 pandemic, the euro area banking environment remained highly demanding in 2021. Economics policy, that is, monetary policy implemented over the past few years is, in a sense, a historical experiment, which has its upside when it comes to cheap borrowing by public finance and general interest rate cuts.

On the other hand, the phenomenon of such monetary policy is high excess liquidity when the system, which is already highly liquid, is further flooded by liquidity. The European Central Bank (ECB) has adopted measures to provide liquidity in relation boosting credit activity, in other words, serving to accelerate lending activity and economic growth. In Slovenia, however, against the backdrop of exceptionally high liquidity, the national regulator tightened further the conditions of lending to households. Admittedly, it is a move we as banking industry professionals find very difficult to understand and, above all, beyond our comprehension that we do not discuss such issues on the basis of the professional arguments, but only on the basis of superfluous statistical conclusions. Ever since 2019, the Slovenian banking system has been faced with additional, national restrictions on lending and consequently with limits on a core function credit institutions are supposed to carry out – financial intermediation. True as it is that the national supervisory authorities are part of the eurozone single supervisory mechanism, its multi-layer architecture allows national macroprudential authorities to set out their measures. All the measures taken over the past few years by the national banking supervisor have worsened the operating conditions for the Slovenian banking system, the real sector and last, but

not least of households, putting them at a competitive disadvantage in comparison with other EU Member States.

The result is low profitability of the European banks and low valuations of their shares unsustainable in the long run. Net interest margin in the Slovenian banking system continued to fall also in 2021 hitting yet another historically low level of 1.4%. It is true, however, that margins in some countries such as Italy are even lower than those earned in Slovenia – even below 1% – but it is eroding the sector to the point of destruction. Having to operate at such persistently low margins and low return on equity well under 10% is harmful to the system. Raising fresh capital necessary for financing the real sector on the market may prove to be a tall order in these conditions.

Consequently, the banking sector is forced to pursue other opportunities, which in turn leads to higher fees higher fees banks charge for the services provided to retail customers to maintain their accounts knowing that for long-term sustainable operations, banks have to generate returns sufficient to build shareholder equity. In terms of operating costs, however, the Slovenian banking system is comparatively among the more efficient ones, hence by considering tight regulation of the banking sector and the need to make strategic investments in technology development and in building security capabilities, there is not much room for further cost cutting. Last but not least, we have already drastically reduced the number of employees in the banking sector, as well as the number of bank branches and banks on the market.

The above-mentioned increasingly tightened conditions of operation for commercial banks in the euro area drive further consolidation of the European banking system, and the Slovenian banking sector is no exception. In the wake of the Abanka and Nova KBM merger, we expect to see other mergers in the future as competition heats up.

On the other hand, economic recovery after the COVID-19 pandemic brings opportunities also to the banking sector as awareness of pressures on the environment and drive for sustainable development are gaining momentum. The Commission's 'European Green Deal' brings high expecta-

tions for the banking sector in terms of financial support for investments in environmentally sustainable projects, and credit institutions have already launched preparations. These changes also call for changes in mindset and behaviour of each and every individual and a move away from 'consumer-sim'. The situation created by the pandemic, has also brought us a historic opportunity. The role of banks in the transition to a low-carbon society will be one of the most important ones as they can accelerate the process by allocating funds to environmentally and socially responsible projects. However, risks derived from climate change are becoming significant financial risks and in 2021, banks started to incorporate climate-related risks in their comprehensive risk management systems.

The year 2021 will also be remembered for opening the first banking museum of Slovenia under the auspices of Nova Ljubljanska banka d.d., a significant step towards improving banking and financial literacy and understanding the role and significance of banks in the economy. The museum also reminds us of what banking meant in this country and what it means today. The museum has found its home in the hall of the oldest bank branch in Slovenia that never closed its doors – Ljubljana Municipal Savings Bank. The project to establish a museum dedicated to banking also serves to foster financial literacy and stands as symbol of national identity and pride knowing that banking has already lived in Slovenia for over 200 years. By opening the Slovenian Banking Museum, we also show another facet of banking.

In these circumstances, it is essential that the dialogue of the banking sector at the level of the Banking Association remains productive and effective, our debates on professional topics are led at a very high level showing due respect and exhibiting a high level of professional consistency. The banking sector speaks with one voice when it comes to industry orientation and its development, and I believe that the present state of affairs is probably has never been so good as now. In my opinion, we are on the right track and banking is again perceived as one of the most important pillars of the society. Our response to the most recent crisis when, instead of being a burden on public finance, we have played a proactive role with our knowledge, liquidity and capital in making the exit from this complex situation the least painful possible, while already contemplating how to



make the best of the historic opportunity for a breakthrough of, Slovenia's economy, the region and the entire Europe.

So, I thank all members of the Supervisory Board of the Bank Association of Slovenia, their deputies, members of committees and working groups operating within the framework of the Bank Association, the Association's employees who within the framework of their respective working areas have given a valuable contribution to the efficient operation of the Bank Association, as well all Slovenian bank officers – we demonstrated once again in 2021 that we can rise to any challenge no matter how daunting it may be.

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

# Introduction

Carrying the Bank Association's activities by the Association's employees, as well as by bank representatives sitting on its committees and working bodies 2021, was still affected by the situation caused by the COVID-19 pandemic and the ensuing support to the banking sector in different areas of operations, including the coordination of the preparation of the measures with the institutions and their subsequent implementation. At the same time, we handled other European and national regulatory changes, as well as operating matters and dissemination of information for the general public and, in particular, to households on the influence of the measures and the emergency situation on the way in which financial transactions are conducted in the most transparent way possible.

In 2021, the activities carried out by the Bank Association also had to be aligned with the regulatory changes in other areas of operations of the banking sector, primarily in the areas connected with the preparations for the promotion of investments made in manner that takes into consideration long-term environmental, social and governance sustainability and management of risks associated with digitalisation, cybersecurity and payment systems, and the reform of the benchmark interest rates.

In the course of 2021, the Bank Association continued to strengthen the cooperation with the real sector (Chamber of Commerce and Industry, Tourism and Hospitality Chamber of Slovenia, and Chamber of Crafts and Small Businesses) and the ministries, in particular the Ministry of Finance, Ministry of Justice, Ministry of Economic Development and Technology Public Payments Administration, SICERT, and the Police, as well as with the judiciary and the Institute of Macroeconomic Analysis and Development, Geodetic Institute of Slovenia and others, and also with different banking associates of other EU Member States. The engagement of the representa-

tives of the banking sector within the framework of the European Banking Federation gained momentum, in particular in the areas of strategic importance also for the Slovenian banking system (digitalisation and cybersecurity and the area of the environmentally sustainable financing, and in the field of the reform of the reference interest rates).

Furthermore, the Bank Association successfully continued work on the adjustment of its in-house operations and despite investments necessary to perform adjustments of the business processes going beyond the planned ones, cutting of total costs of operations was a move in the right direction.

All operating operational objects set out in the Association's Programme of Work for 2021 were achieved or, due to their nature and scope are still 'work in progress' and included also in the Programme of Work for 2022.

Also in the course of 2021, the activities were based on the following strategic objectives:

- reputation
- financing the economy, new products, and green economy
- regulation and supervision
- digital transformation
- consumer protection

In the field of reputation building, we were committed to consistent implementation of the communication strategy in all segments from general communication to education and training activities to publishing, in effort to raise reputation and trust in banks and to boost awareness of the significance and knowledge of the area of banking and finance in public, both general and professional.

Proactive communication with the public was in particular channelled to the areas in which all the member institutions were introducing changes and novelties resulting from the consequences of the amended regulation.

Also in the course of 2021, strengthening of the reputation sector was reflected in the growth of the share of the positive and decreasing the negative reactions of different publics.

Among more important issues that caught the eye of the media were those concerning intervention legislation, the loans denominated in Swiss Francs, the macroprudential measures of the Bank of Slovenia, and impact on credit worthiness of households, green finance and summarised discussions from the Day of Slovenian Bankers, the changes to accepting online card payments, financial education for the young and security warnings to draw attention to IT fraud and scamps, and the replacement of CHF LIBOR by the new reference rate SARON.

In 2021, the Association's public website was renewed, and the renewal of the Bank Association's extranet was also launched and encompassed all aspects: security, functions, design, users, contents, as well as the technological aspect.

In the field of financing the real sector, the activities carried out in 2021 were still largely focused on monitoring the measures put in place with the aim to mitigate the consequences of the COVID-19 pandemic on the economy together with other stakeholders (preparation of the initiatives concerning intervention legislation and macroprudential measures of the Bank of Slovenia) and monitoring exposure to credit risk. To that end, a special group was established to identify, among other things, the sectors of the economy faced with the biggest challenges caused by the pandemic, the need for (re)financing after the expiry of statutory moratorium rules, and at the same time the situation was closely monitored in case it would be necessary to activate the procedures in accordance with the principles of debt restructuring. The second most important segment in terms of scope and content comprised the activities connected with adjusting operations from the strategic level to risk management in the field of finance sustainable the development of the economy. Following extensive regulatory changes and the requirements in the field of environmentally sustainable finance, also a special working group on sustainable finance was set up in 2021 to work on the issues arising within the framework of the programme green economic growth.

Among other adopted internal acts, the acts listed below are most important:

- The Guidelines on sustainable finance

- The Guidelines on risk management were amended by adding the ESG elements
- A new Summary report on appraising property value for secured lending with new fields to enter data necessary to evaluate the impact of buildings on the environment, and the impacts of the environment on real property

In November 2021, the Bank Association also signed up to the international industry-led alliance for the decarbonisation of the banking sector 'Net-Zero Banking Alliance', and as a support member additionally validated the commitment made by the Slovenian banking sector to support efforts to achieve national, European and global climate and environmental goals.

In the field of banking regulation and supervision, in 2021, a new forum of human resource professionals was set up and given a mandate to address other HR-related matters beyond the scope of issues regulated in the collective bargaining agreement for the banking industry. The issues at the forefront concerned work from home, ethics and culture operations, the COVID-19 pandemic, organisation of vaccination, compliance with the PCT requirement with proof of vaccination, negative test, or recovery from COVID-19 as prescribed in the government ordinances (for employees, as well as for clients of banks and savings banks) and employee representation on supervisory boards of banks

As regards national legislative procedures, we took part, among other activities, in formulating comments on:

- Prevention of Money Laundering and Terrorist Financing Act,
- New Banking Act
- New Consumer Protection Act
- Act amending the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act
- Enforcement and Security Act (some comments became amendments submitted to the National Assembly),
- Discussing proposed amendments to the laws governing the operations of investment funds (proposals to amend investment funds and management companies acts ZISDU-3D, ZUAIS-B and ZOAS), and
- the implementation of PSD2

In the field of European legislation, the following key activities absorbed a great deal of time and effort:

- management of credit and operational risks,
- implementation of CRR2/CRD5, sustainable finance and inclusion of ESG factors in banking processes,
- reporting to on the basis of the FACTA and OECD standard,
- preparation of the implementation regulation stipulating the replacement of the benchmark interest rate CHF LIBOR by SARON effective on 1 January 2022,
- SRDII (Directive (EU) 2017/828 of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement), in particular concerning disclosure requirements vis-à-vis shareholders and in that connection issuer agents gathering shareholder identity data,
- the implementation of CSDR (Regulation No. 909/2014 of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories, and
- the proposed amendments to the rules on operation of the SCT scheme, SCT Inst scheme, Core SDD scheme, and SDD B2B scheme, prepared within the framework of the European Payments Council, etc.

In the field of digital transformation, special attention was paid to IT security solutions and participation in and learning about EU cyber activities, a review of threats prepared for the financial sector prepared by CERT-EU and Europol's warnings and messages for the public concerning cyber-attacks on information systems of the EU financial institutions.

In the field of exchanging information concerning frauds and security incidents in the area of information security with national security centre SI-CERT, the agreement reached envisages that credit institutions will banks take steps to establish their own malware information sharing platform (MISP) platforms.

The Recommendations for the steps to be taken by the members of the Bank Association in case that suspicious/unjustified transactions arising from online fraud took place, were recast in 2021.

As regards draft legislation in the field of digitalisation and cybersecurity, taking part in the process of the preparation of the new draft of the Electronic Identification and Trust Services Act (ZEISZ) was focused on two key issues, and namely on the use of a qualified certificate as a means of electronic identification and the issuance of qualified certificates for electronic signatures with video identification and cooperation in the process of the preparation of the proposal of the Regulation of the European Parliament and of the Council amending the Regulation (EU) as regards establishing a framework for a European Digital Identity.

The activities also focused on the promotion of the use of the ZBS B2B communication interface that enables B2B to exchange of all kinds of data between different partners and enables on-line links in different substantive areas. It has been agreed, among other issues, that the new exchange of data under the FRP Standard handled by the Chamber of Accounting Services at the Chamber of Commerce and Industry (GZS), will run through the ZBS B2B communication interface.

In the field of consumer protection, the activities carried out in 2021 concerned in particular the following issues:

- digital transformation (digitalisation procedures, providing for operations with remote access), and
- consumers data protection (implementation of changes to legislation regulating consumer protection, consumer credit and novelties in the field of payment services, cooperation with eSeniorji, conducting the national survey on attacks).

Worth noting are also all the educational and training activities, particularly those in the field of financial literacy as they contribute to higher visibility of the sector and thus to the security of financial transactions and protection against data abuse and frauds. We live in a moment of fast transition to digital business operations and financial and digital literacy is becoming even more important when the security of transactions conducted by all generations might be at stake. We are therefore very pleased that each year more schools and more students participate in the national money quiz and in the European finals of the European Money Quiz, a competition on

financial literacy for 13–15-year-olds. Although we had to organise also in 2021 the national competition held in March as a virtual event (on-line) due to the health situation, as many as 246 pupils and students from 14 schools from all over Slovenia registered. The winners of the national competition participated in the finals at the European level once again held as a virtual event also in 2021.

The Association carried out its tasks in a challenging environment also in 2021 but still succeeded in providing fast and efficient response also thanks to exemplary collaboration of different stakeholders, as well as the Association's staff and all members of the committees and working groups, against the backdrop of the pandemic (or despite them) and their generous assistance. Thanks also go to the mediator in Alternative Dispute Resolution (ADR) of consumer disputes who despite the state of emergency in 2021 continued to do high quality professional job and by doing so, contributed to resolving disputes also during the coronavirus pandemic.

My special thanks go to the Supervisory Board of the Bank Association for their guidance and backing in the achievement of the objectives of ensuring efficient support to the operation of the banking sector and in the pandemic situation, also to the economy and households, as well as for support to the changes to the processes of the Association's functioning that should continue also in times full of large and unpredictable changes in life and in business.

Stanislava Zadavec Capriolo,  
Director of the Bank Association of Slovenia



# Governance structure of the Bank Association of Slovenia:

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

## Supervisory Board

| Members  | Alternate members  |
|--|--|
| <b>Blaž Brodnjak</b> ,<br>Nova Ljubljanska banka d.d.,<br>President of the Supervisory Board | <b>Andreas Burkhardt</b> ,<br>Nova Ljubljanska banka, d.d. |
| <b>mag. Vojka Ravbar</b> , SKB banka d.d.,<br>Deputy President of the Supervisory Board      | <b>mag. Manica Novak</b> ,<br>SKB banka d.d.               |
| Banka Sparkasse d.d.   | <b>Tomaž Šalamon</b> , Banka Sparkasse d.d.                |
| <b>Andrej Andoljšek</b> , Addiko bank d.d.   | <b>Anja Božac</b> , Addiko bank d.d.                       |
| <b>Lorenzo Ramajola</b> ,<br>UniCredit Banka Slovenija d.d.                                  | UniCredit Banka Slovenija d.d.                             |
| <b>mag. Sabina Župec Kranjc</b> ,<br>Nova Kreditna banka Maribor d.d.                        | <b>Matej Falatov</b> ,<br>Nova Kreditna banka Maribor d.d. |
| <b>Jozef Kausich</b> ,<br>Banka Intesa Sanpaolo d.d.   | <b>Ivan Ivičič</b> ,<br>Banka Intesa Sanpaolo d.d.         |
| <b>Mario Henjak</b> , Gorenjska banka d.d.   | <b>Marko Filipčič</b> , Gorenjska banka d.d.               |
| <b>Jana Benčina Henigman</b> ,<br>Sberbank banka d.d.  | Sberbank banka d.d.  |
| <b>Klemen Bajt</b> ,<br>Primorska hranilnica Vipava d.d.                                     | <b>Rado Likar</b> ,<br>Primorska hranilnica Vipava d.d.    |
| SID banka, d.d.  | <b>Goran Katušin</b> , SID banka, d.d.                     |
| <b>Mitja Otorepec</b> ,<br>Summit Leasing Slovenija d.o.o                                    | <b>Andrej Pucer</b> , NLB Leasing d.o.o                    |

As at 31 January 2022.

# Selected macroeconomic indicators for Slovenia

|   | 2021   | 2020   |
|---|--------|--------|
| Real GDP growth (in %)                                      | 8.1    | -4.2   |
| Nominal GDP (EUR million)                                   | 52,020 | 46,297 |
| GDP per capita (EUR million)                                | 24,678 | 22,312 |
| General government deficit (net borrowing)<br>(EUR million) | 339    | 285    |
| Consolidated government debt (EUR million)                  | 40,134 | 37,429 |

Source: Statistical Office of the Republic of Slovenia (Surs).

# Selected indicators for the Slovenian banking sector

| (EUR million)                     | 2021    | 2020    |
|-----------------------------------|---------|---------|
| Total assets                      | 48,255  | 44,651  |
| Shareholder equity                | 5,063   | 4,805   |
| Loans to non-banking sector       | 9,302   | 8,750   |
| Loans to Households               | 11,263  | 10,712  |
| Liabilities to non-banking sector | 8,998   | 8,031   |
| Liabilities to Households         | 23,953  | 22,437  |
| Net interest                      | 625.1   | 639.1   |
| Gross income                      | 1,205.7 | 1,360.1 |
| Operating costs                   | -717.1  | -718.4  |
| Profit after tax                  | 527.3   | 450.3   |

Source: Monthly Report on Bank Performance, Banka Slovenije, February 2022.

# Activities of the Bank Association bank of Slovenia in 2021

## Economics of banking operations

The area of the economics of banking operations covers risk management, internal audit, bank accounting, taxes and reporting to regulatory, supervisory and tax authorities. These many facets of banking are addressed within the scope of work of three committees: for risk management, for internal audit, and for accounting. Due to the extensive regulatory changes and requirements in the area of environmentally sustainable finance within the framework of the programme for green growth, a specialised working group for sustainable finance was appointed in 2021.

The tasks set were carried out and the specific challenges dealt with by the aforementioned committees and nine working groups operating under the aegis of those committees (for collateral management, for risk modelling, for operational risk, for the implementation of the EBA's Guidelines on loan origination and monitoring, for taxes, for reporting, for IFRS, for the regulations on automatic exchange of information on financial accounts (AEOL) and foreign account tax compliance (FATCA), and the new working group appointed in 2021 on sustainable finance). In addition to catering to daily business, the activities of the aforementioned working bodies of the Bank Association in 2021 were shaped especially by the prolonged COVID-19 pandemic, the green transition and the new regulatory requirements in the area of integrating the environmental, social and governance factors

(so-called ESG factors) into banking processes and increased operational risk.

With the new needs arising, specialised *ad hoc* working groups were either established or continued to work and in particular those engaged in the area of sustainable finance and incorporation of the ESG factors into the risk management processes, online payments frauds and implementation of the new rules put in place by adopting new banking regulations. All the aforementioned working bodies, both standing and *ad hoc* ones, followed the endorsed strategic guidelines incorporated into the programme of work of the Bank Association for 2021 practically in all five areas:

The work was thus focused in particular on:

- assessing and mitigating the negative impact of coronavirus Sars-Cov-2, that is, pandemic disease COVID-19 on the performance of the banking sector and monitoring the adoption of the required mitigation measures;
- addressing the methods and procedures for risk management with the emphasis on effective and prudent management of credit risk (loan origination and monitoring in accordance with the new regulatory standards);
- toing the ESG factors in the risk management processes (in particular in the field of credit risk, operational risks, portfolio analyses, conducting climate-related stress tests and data acquisition);
- upgrading the recommendations for operational risk management (in particular in the field of assessing outsourced service providers/outsourcing arrangements and fraud prevention);
- conducting pooled audits of the most important outsourced providers of service to banks and savings banks;
- updating and upgrading the existing, that is, preparation of new documents regulating internal procedures, regulatory rules in place and presenting cases of best practice in the area of operation;
- making initiatives, proposals, comments and asking questions in connection with changes in legislation, that is, enforcement of new regulations at the European and at the local level and giving impetus to mutual information.

## Risk Management Committee

At its five regular meetings in 2021 and by means of ample electronic correspondence, the Committee examined topical matters from the area of managing risks in banks and savings banks, resolved dilemmas and practical issues, coordinated and launched initiatives, acknowledged changes in the regulatory environment, conducted surveys and analysed their results and engaged in a proactive dialogue with key stakeholders.

At the beginning of 2021, the Committee members were involved with the preparation of the initiatives concerning intervention legislation adopted with the aim to mitigate the consequences of the COVID-19 pandemic (for example: extending maturity for loan repayments and prolonging the period of validity of the government guarantee scheme and its simplification, extending the effectiveness of the guidelines for the transitional regulatory treatment of commercial moratorium to the end of 2021).

In February 2021, on the initiative of the Corporate Committee, a new mixed working group was established and also the members of the Risk Committee took part in its work. The new working group got a mandate to draft the first guidelines of the Bank Association referring to sustainable finance, and the task was successfully completed in July 2021 (more details are provided in the section below elaborating on the activity of the new working group). All year long, working together with other working bodies of the Bank Association, the Committee members addressed numerous legislative and regulatory changes, in particular in the field of integrating the ESG factors into the banking processes. As a consequence, a special working group was appointed in July. After consultation with the members of the committees of other working bodies of the Bank Association and with the Bank of Slovenia, its members updated the guidelines on risk management and upgraded them with additional contents from the ESG area (in particular in the field of credit risk management, and also formulated a new guiding/fundamental principle that banks shall address climate change, environment, social and governance risks and effectively manage those risks, and they shall also set out in their business strategies commitment to apply the principles of social, environmental and corporate re-

sponsibility to their operations). The amended guidelines were published on the website of the Bank Association public in December.

The Committee members played an active part also in the consultation process concerning the review of the central bank's regulation on credit risk management, in particular in the light of effort to include provisions from the EBA's Guidelines on loan origination and monitoring, and harmonise conditions for legal certainty of collateral with real property when assessing loss from credit risks with the requirements set out in Capital Requirements Regulation (CRR) for the purpose of calculating capital requirements for credit risk.

Furthermore, the Committee closely followed the macroeconomic developments and continued with carrying out regular meetings with the representatives of the Institute for Macroeconomic Analysis and Development (UMAR). At two meetings held in 2021, also the representatives of the analytical departments of the Bank of Slovenia and the Chamber of Commerce and Industry (GZS) attended the first meeting and on that occasion the forward-looking projections of movements in macroeconomic categories were presented, as well as the trends identified in operations of different sectors of the economy.

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 its members were kept posted by the experts engaged on the project on the progress made and coordinated the drafting of a contract for the use of financial data in conformity with the aforementioned standard. The Committee members also took note at three meetings of the solutions of those providers of services in the area of risk management in credit institutions.

The Committee conducted surveys among the Association's members falling within the scope of its field of expertise and 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

management departments concerning the key present and expected risks the banking sector is exposed to. Once more the results revealed great significance of regulatory risks, also credit risk and market risk increased, and a stronger tendency was also present in climate/environmental risks, even though the latter risk is less important. The Committee also looked into the results of the similar studies conducted at the local level (for example: the Bank of Slovenia), at the regional level (for example: EBA, ECB, ESRB) and at the global level (McKinsey, WEF).

The traditional conference held in October on the current challenges in the area of risk management in banks and savings banks and represented a highlight of the Committee's work. In 2021, 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 and 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 the development of different risks and the way to manage those risks in banks and savings banks.

The Committee and the working groups operating within the Committee's framework prepared a substantive outline of risk management published in the journal for money and banking *Bančni Vestnik* and circulated through other communication channels to the public and in that way contributed to transmitting relevant information to a wider circle of stakeholders.

As already mentioned above, topicality, significance and complexity of the issues related to the integration of the ESG factors and the topicality of managing credit and operational risks, required intensive work of both standing and *ad hoc* working groups, which operate within the framework of the Committee and which the Committee coordinates and channels. The work and contribution made by all those working groups are presented below.



## Working group on collateral

The working group held five regular meetings and mostly channelled effort on amendments to form prepared in 2019 and serving to draft a summary report on the valuation of real property for secured lending to include new fields for entering data necessary for the assessment of the impact buildings have on the environment, and the impact of the environment on the real estate<sup>1</sup>. To that end, a task force of the working group was appointed and tasked with coordinating the work on the proposal of a new form and its validation in practice, and the appurtenant instructions for completing the form with the Slovenian Institute of Auditors (SIR) on setting up an interdepartmental body, and went on to present the work done in December 2021 at a meeting of the experts from the section of certified real-estate appraisers organised by the Slovenian Institute of Auditors. By taking part in the annual conference of real-estate appraisers to present the key regulatory novelties in that area, the working group continued to strengthen the interaction between real-estate appraisers and their end-users.

The working group conducted numerous surveys, among which concerning the methods for assessing expected cash flows derived from forfeiting real property pledged as credit collateral, the treatment of collateral in bankruptcy and enforcement procedures, and the deployment of information from annual reports of the Surveying and Mapping Authority of the Republic of Slovenia (GURS) on the real-estate market in internal procedures for monitoring value of real property.

The working group also worked actively on the initiative addressed to the Surveying and Mapping Authority of the Republic of Slovenia (GURS) and, specifically, to allow on the basis of Public Information Access Act to the members of the Bank Association with the aim to improve efficiency of

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1 In addition to the fields to enter data from the energy performance certificate (hereinafter: EI), the form also features other information such as, for example, date of issuance, energy class of the building, measure CO<sub>2</sub> emission and the required primary energy of the building, and the fields have been added for energy efficiency assessment of the building in case that no EI has been issued for it – these are the fields to tick the type of heating and thermal insulation of the building. In terms of the assessment of climate- and environment-related impacts on the real estate, another field has been added to assess flood risk based on the prevailing flood risk of the land parcel.

their operations and digitalisation procedures to resume using data on generalised value of real property duly kept up-to-date and maintained by the Surveying and Mapping Authority of the Republic of Slovenia (GURS). Regrettably, the initiative was not successful.

The working group was also included in the project of the company Bankart for setting up the electronic exchange of data on vinculations between banks and savings banks and insurance companies and serving to resolve dilemmas in the area of valuation, re-valuation and monitoring movements in value of immoveable and moveable assets in accordance with the CRR Regulation and the EBA's Guidelines on loan origination and monitoring. The working group was particularly attentive to the provisions of the latter and adopted positions regarding their implementation in practice and validated those positions at the meeting with representatives of the Bank of Slovenia held in February.

### **Working group on risk modelling**

At its five regular meetings held during 2021, the majority of the working group's activities was oriented towards discussions about the lingering challenges and seeking methodological solutions with regard to the assessment of the parameters of credit risk in the conditions created by the COVID-19 pandemic and in relation to incorporating the ESG factors in the process of designing credit risk models and, in particular, carrying out climate-related stress tests.

In connection with the first topic, the members of the working group exchanged information regarding the challenges identified in the course of assessing credit risk associated with the both COVID-19 pandemic flare and afterwards and in connection with the post-coronavirus period, they debated the approach to be endorsed with the aim to toe the ESG principles in the process of credit risk modelling. Climate stress testing announced as a pan-European regulatory exercise for the following year was at the fore of the relevant topics at the working group's meetings, in particular in the light of choosing relevant scenarios and transmission mechanism for evaluating the impact of climate risk drivers on the macroeconomic categories and on both the PD and LGD parameters. To that end, the working group hosted in autumn the representative of two external institutions – an international

consultant and a local non-governmental organisation – and the head of the working group delivered a lecture on the topic presented in the November issue of the banking journal – Bančni Vestnik. In connection with topic in question, the members of the working group also took note of the professional publications published by the regulatory authorities and other specialised institutions.

The working group continued to collaborate at the professional level with the representatives of the Institute of Macroeconomic Analysis and Development (UMAR) and together with the interested members of the umbrella Committee and of the Corporate Committee, attended two presentations of their macroeconomic forecasts. The working group members also collaborated in the preparation of a seminar on modelling in banking organised in May by the Training Centre of the Bank Association. Among the discussed issues there were challenges and practical solutions for modelling the PD and LGD parameters, model management, model risk and future trends, the impact of the COVID-19 pandemic on credit risk models, including the ESG factors in credit risk models, management of data warehouses, and the findings and expectations of bank supervisors in that field.

### **Working group on operational risk**

After the work of this working group was successfully completed in 2020 by preparing a common (harmonised) verification questionnaire for conducting regular annual audits of outsourced service providers, the activities on further harmonisation of the questionnaire continued by adding new content, as well as by aligning the procedures for its preparation on the basis of the obtained results, that is, experiences gained by its circulations a year earlier. To that end, within the framework of three scheduled and two additional meetings held together with the representatives of the internal audit function and bank officers responsible for contracts concluded with the outsourced service providers, the procedures were further elaborated and the questionnaire was simplified.

In response to the initiative given by the working group after increased frauds concerning payments, a special working group was formed in the year under review and tasked with updating the recommendations on the steps to be taken by the members of the Bank Association in case of a sus-

picion that an unjustified transaction arising from on-line fraud/scam has taken place (hereinafter: the Recommendations). The working group comprised in addition to the members of the working group on operational risk, also the representatives of other working bodies of the Bank Association, that is, functions in banks (for example: compliance, payment transactions...) with the aim to prepare the recommendations amending the document as comprehensive as possible and by doing so, contribute to enhancing security and trust of the public in reliable and secure payment services of banks and savings banks. At the 12 meetings held in 2021 attended also by the representatives of the Office for the prevention of money laundering (UPPD), Police and SI-CERT, the working group prepared updated version of the Recommendations with concrete proposals for the steps to be taken by banks and savings banks in a case of fraud. The Recommendation also comprise new attachments, such as, for instance, a list of different kinds and signs of fraud and the recommended action for each of them, a list of relevant laws and regulations, and the text of the relevant legislative acts, that is, regulation, a form for reporting fraud, and the updated list of contact persons at the members of the Bank Association.

The working group will continue its work as the incidence of abuse/fraud is rising, and new forms of fraud and scam appear on a daily basis, so the members of the working group will review the document on a regular basis (at least on a semi-annual basis) and update it when necessary.

In addition to the aforementioned activities, the working group will address the issues on approaches to the implementation of the regulatory requirements that fall within the scope of its mandate (for example: meeting the expectations laid down in the ECB's Guide on climate-related and environmental risks), acknowledge the results of the analyses of the committees of the Bank Association in relation to risks in bank operations, and will take part as a year earlier in the education and training activity of the Bank Association by presenting the contents on operational risk management in the regular training programme of the Banking School.

### **Working group on the implementation of 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 that regulate the area of banking operations in question. The members of the working group carried out an in-depth systemic review at three 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 presented to and had them endorsed in February 2021 by the competent national authority. Within the framework of that dialogue, the members of the working group raised relevant issues and joined the consultations for the preparation of the central bank's regulation on credit risk management requiring amendments in order to incorporate the provisions set out in the Guidelines.

At the expiry of the working group's term of office, a document was prepared containing the issues raised and the positions adopted by the working group, and for many of those issues, there is also the information provided as feedback by the representatives of the Bank of Slovenia.

## **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 two regular meetings and addressed a broad range of issues related to the work of internal auditors, exchanged experi-

ences 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, and by attending separate meetings with the working group on operational risk, they joined the discussion led by experts about upgrading the procedures for managing risks associated with outsourcing arrangements, that is, exchanged information with the representatives of the first and the second line of defence.

The main focus of the Committee's activities in 2021, was on the preparation and coordination of pooled audits organised jointly with other clients of the same service provider in accordance with the provisions of the EBA Guidelines on outsourcing arrangements. Specifically, regarding outsourcing arrangements, paragraph 91 leaves to institutions outsourcing services to use, in addition to using independent review at the location of the service provider, also pooled audits by the representatives of the Association's members or by third parties. Having opted for a pooled audit as it offers numerous advantages to banks and savings banks, as well as to outsourced service providers, the Committee entrusted the task to international specialised audit firms. In order to carry out that decision, the Committee drafted in 2020 a bespoke action plan under which the necessary documentation was prepared in 2021, commissioned two audits and was directing them through a specially appointed steering group together with the selected service provider of the pooled audit. One such audit was completed in November and the second one is expected to be wrapped up in the first quarter of forthcoming year; the Committee carried out all the necessary procedures for performing the pooled audits of two other outsourced service providers in the forthcoming year.

The Committee members conducted also in 2021 the traditional annual survey on current risks and internal audit engagements. The survey was conducted in August together with other concerned committees and its results were examined in detail at the Committee's regular meeting together with the findings produced by the surveys carried out by other committees of the Bank Association and by similar national and international studies.

Also in the year under review, the members of the Committee examined and endorsed a list of the key topics covered by the annual report in rela-

tion to internal audit function on the basis of the provisions set out in the Companies Act and the Banking Act, and reviewed and brought up to date the table listing numerous activities to be performed by the internal audit function prescribed by the regulator.

An important part of the Committee's activities was also in 2021 dedicated to the preparation and organisation of the traditional two-day conference of internal auditors held in May. The keynote topics of the conference referred to the challenges of the functioning and the development of audit profession, cooperation of internal audit with the second line of defence, planning annual internal audit assignments, cyber security and key regulatory changes.

With the aim to boost dissemination of information to a wider circle of professionals concerning the scope and content of work of internal audit, several articles were published in 2021 in *Bančni Vestnik*, a journal for money and banking, on various matters in relation to internal audit. The Committee, on the other hand, made the promotion of the role of internal audit a standing task also in the future. In addition, the Committee members made their contribution to the training activity of the Bank Association – the content of internal auditing was presented in the regular programme of the Banking School as a stand-alone learning module.

### **Working group on sustainable finance**

The mixed working group was established in February 2021 on the basis of the decision adopted by the Corporate Committee and the Risk Committee and given a mandate to prepare operational guidelines for sustainable finance. The draft document was presented to the relevant working bodies of the Bank Association in April and then endorsed at the meeting of the Supervisory Board of the Bank Association in June. In July, the Guidelines were published on the website of the Bank Association in the Slovenian and in the English language.

The Guidelines in a clear and concise manner summarise the key regulatory requirements in the field of sustainable finance and members of the Bank Association provide non-binding orientations for the development of sustainable finance and putting in place relevant banking practices in

accordance with the principle of proportionality. In addition to seven fundamental principles<sup>2</sup>, the Guidelines contain a glossary of base terms and appendix listing the key regulatory acts. The Guidelines also feature, among other things, guidance concerning effort by banks and savings banks to reduce their carbon print, the expectations of the banking sector vis-à-vis their clients, the importance of educating them and assistance in the transition to a circular economy and the need for mutual cooperation.

However, despite the completion of the work on the preparation of the guidelines for sustainable finance, it was concluded that there were still many dilemmas in the field of sustainable finance, that the banking legislation and regulation for that field is still work in progress and that further upgrades of procedures are necessary, as well as deepening the dialogue between different stakeholders, hence the working group continued its work and acquired the status of a standing working group. At as many as 11 meetings held in 2021, the group members exchanged experiences and tracked publication of relevant regulations, regulatory requirements, scholarly writings, latest developments and possible solutions, and resolved open issues referring to sustainable finance and managing ESG-related risks with the spotlight on sustainability-related disclosures.

Through its representative in the working group at the European Banking Federation, the members of the Slovenian working group were kept posted on all the most important activities and the results of the project for the application of EU taxonomy to the key banking products. The working group members were also proactive participants when it came to organising sustainable finance training courses held under the aegis of the Bank Association.

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2 The principles govern:

1. Strategy – acceptance of commitments and setting targets of sustainable finance
2. Business model – identification of environmentally sustainable activities
3. Incorporating ESG and particularly climate-related factors and risks in risk management processes
4. Including ESG factors and risks in the financing process from the perspective of evaluation customers and investments
5. Relations with bank customers and other stakeholders
6. Reporting and disclosures
7. Internal governance and culture



### **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 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 must be perfected, given the fact that in the field of reporting, both regulations and technical requirements keep changing.

In 2020 and then also in 2021, the working group held only one meeting. Nevertheless, all key tasks were carried out as planned 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 and passing on information to the member institutions of the Bank Association about the activities carried out by the working group at the EBF through its representative. Within the framework of the aforementioned activities, in March 2021, gathering of data on the missing taxpayer identification numbers (so-called US TIN) was launched at the national level, and also ten Slovenian banks and savings banks participated in the survey by proving data available at the end of 2020.

The group members also participated in overhauling the website of the Bank Association and on that occasion, the pages referring to FATCA and OECD CRS were updated.

## Accounting Committee

The Accounting Committee (the Committee held two meetings in 2021, due to the emergency situation caused by the Corona virus and namely via a video link (MSTeams). The work of the Committee carried out in the exceptional circumstances was characterised primarily by the cooperation and the ongoing dialogue with different stakeholders such as, for instance, the Bank of Slovenia, that is, its departments responsible for supervision, regulations and prudential reporting, the Ministry of Finance, and the Financial Administration of the Republic of Slovenia (FURS), etc., through a host of initiatives and proposals for legislative changes, the efforts to enforce the principle of proportionality and streamlining reporting requirements in general, by addressing numerous questions to the Bank of Slovenia in connection with the implementation of the Instructions for reporting to monetary financial institutions (Reports PORFI, BSMAP, BSZAV, BS1S).

The members presented the proposals to modify/amend certain new regulatory products issued in the course of 2021 by the Bank of Slovenia and, namely, the Instructions for reporting to monetary financial institutions, authorised rescheduled repayments for exposure to economic entities serving to mitigate the consequences of the Covid-19 pandemic (specifically, monitoring rescheduled exposures) and took part in the surveys within the framework of the assessment of costs of the ECB project to develop the Integrated Reporting Framework (IRef) and also sent the comments to the EBA's consultation paper inviting stakeholders to provide feedback on the feasibility study of an integrated reporting system to collect feedback for the preparation of its final Report in this area.

### **Working group on tax matters**

The members of the working group met twice in 2021 via a video link (MS Teams) as due to the emergency caused by the transmission of the coronavirus, meetings in presence were prohibited. The working group moni-

tored the government intervention measures and on the basis of its modifications, addressed requests for clarifications to the Ministry of Finance and to the Financial Administration of the Republic of Slovenia, examined the issue of payments to Visa and Mastercard respective funds in the light of VAT charge, and learned that the OECD had issued the Transfer Pricing Guidelines in the field of financial services.

The work carried out by the members of the working group mostly revolved around different tax matters as shown below:

- Interpretation of the Rules on the content and form for calculating withholding tax and on the method for submitting forms to the tax authority,
- VAT treatment of the VISA and MASTERCARD services, and
- Considering credit rating and interest rates charged on loans between related entities.

In 2021, the working group also discussed "Internal controls" and under that item on the agenda drafted two lists: *Tax withholding for natural persons* and *List of VAT taxed and VAT exempt services*. The work on the two lists is in the final stage and will be submitted to the Financial Administration of the Republic of Slovenia (FURS) for endorsement.

### **Working group on reporting matters**

Given the exceptional circumstances caused by the coronavirus pandemic, the working group did not hold any in-person meetings in 2021, but its members were actively engaged in making comments and giving proposals concerning the Instructions for the implementation of the Regulation on reporting by monetary financial institutions (MFIs), particularly with regard to monitoring their exposure to businesses to mitigate the consequences of the Covid-19 pandemic, as well as the treatment of exposures for which due dates were rescheduled on several occasion due to the COVID-19 pandemic.

For the purpose of monitoring exposure to businesses with the aim to mitigate the consequences of the COVID-19 pandemic, a new reporting requirement was introduced in the BS1S report in 2021. However, the banks' proposal to align reporting requirements under BSZAM to reporting under

BS15 (unification of the definitions of the data of the same type appearing in different reports) was accepted.

The working group also sent a letter to the Bank of Slovenia concerning additional reporting requirements – PORFI reporting – and the announced changes to reporting on guaranteed deposits. In that letter, the Association's members called for closer collaboration and peer-to-peer communication between bank and the Bank of Slovenia already in the preparatory phase of drafting new requirements.

## Corporate banking

The field of banking operations with business entities was covered in 2021 by two committees: the Corporate Banking Committee re-activated in 2018, and the Committee for Documentary Operations operating for decades already. Needless to say that the activities of these two working bodies of the Bank Association in the course of 2021 were strongly impacted by the COVID-19 pandemic and the transition to a green economy, as also illustrated in the descriptions of their activities in the text below. Moreover, both committees carried out their activities in line with the strategic guidance of the Bank Association for 2021 in all five fields of work.

## Corporate Banking Committee

With a view to the COVID-19 pandemic, the Government of the Republic of Slovenia adopted numerous measures to mitigate the adverse consequences for the economy and the citizens, and those measures, among other things, also interfered with the area of banking operations in general and finance companies in particular. Moreover, the regulators of banking operations at the national, as well as at the European level, added a number of changes to the regulatory arrangements in place.

The aforementioned changes called for prompt and decisive responses of the banking sector, all with the aim to provide for quick implementation of the adopted measures and their enforcement. To that end, in addition to

the standing working bodies, task forces were formed under the umbrella of the Bank Association and given specific mandates for carrying out concrete tasks connected with the implementation of intervention legislative acts. Among those tasks, there was also the collaboration on the preparation of (joint) initiatives to extend measures designed to mitigate the adverse effects on many sectors of the economy worst hit by the COVID-19 pandemic (for example: tourism, catering, organisation of events, ...).

Those initiatives including, for instance, the proposals to extend mandatory moratorium on bank loans alongside the extension of the favourable regulatory treatment of such moratorium periods by the European Banking Authority (EBA) and to extend the possibility to use the guarantee scheme on the basis of the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (ZDLGPE) and its simplification. And last but not least, thanks to putting in place other tailor-made government measures for support to the aforementioned sectors. True as it is that the initiatives were not endorsed, the members of the Bank Association, as a rule, granted the distressed borrowers further time to delay their repayments in accordance with the so-called commercial conditions or agreed other debt restructuring measures in accordance with the adopted credit policy. For the purpose of monitoring operations of debtors and sectors in the conditions created by the COVID-19 pandemic and considering the looming threat of a surge in restructured and non-performing exposures as a consequence of the adverse effects of the pandemic on the economy, in the year under review, a special working group was formed. Composed of the representatives of the commercial functions and the functions tasked with bad debt resolution. The working group met at five meetings and monitored the developments in the field of regulation, trends in the economy and in individual sectors, and the measures bank took in the field of forbearance /restructuring. Among other things, the working group identified the sectors faced with the biggest challenges due to the pandemic, identified the needs for financing after the expiry of legislative moratoria and, to that end, concluded that the adjustments, that is, the amendments to the debt restructuring principles, adopted in 2015 within the framework of the Bank Association could still be used without further modifications.

In the areas not connected with the COVID-19 pandemic, one of the more important activities of the Committee was also the discussion about the new EBA's guidelines on loan origination and monitoring (such as, for instance, taking note of the positions of the working group and of the Bank of Slovenia). Nevertheless, the Committee paid even more attention to the issues concerning sustainable finance in accordance with the modern trends and new regulatory requirements when addressing the environmental, social and governance (ESG) factors associated with lending operations.

For the third time in a row, the Committee conducted a survey on identified risks inherent in bank operations and the macroeconomic landscape in parallel with other committees of the Bank Association, and distilled the information obtained from the respondents in the commercial function's view of the latest events. To that end, the Committee examined the results of the similar analyses prepared by other institutions at the local, European and global levels. The survey was greeted with satisfaction and included in the Committee's programme of work also for the forthcoming year.

The Committee boosted the dialogue with the key stakeholders. In addition to working hand-in-hand with the representatives of the real economy, of the Ministry of Finance, and of the Bank of Slovenia (particularly concerning intervention legislation and measures), the roster of products in the offer of the Slovenian Enterprise Fund was presented in detail at the regular meeting of the Committee. With the aim to be well-informed about all the developments in the Slovenian economy, the Committee members used the channel put in place in 2019 for ongoing communication with the representatives of the Institute of Macroeconomic Analysis and Development (UMAR). They attended two meetings at which the current macroeconomic situation in the country and beyond its borders were viewed from different angles.

## Documentary Operations Committee

The primary mission of the Committee is to share experience, specialist knowledge and best practice, as well as to stay on top of the developments in the industry – key regulations, new trends and novelties in documentary

operations, that is, trade finance in general – the Committee's beacon also during the year under review.

The members of the Committee met twice at the regular meetings and by correspondence to address numerous most pressing issues that spring up at the operational and tactical level during daily operations. The most frequent topics concerned transactions involving cheque, changes to ESG policies, the rules published by the International Chamber of Commerce (ICC), ensuring a level playground for reporting to the SISBIZ system on factoring transactions concluded with factoring companies, vetting clients by applying the KYC and AML&CTF rules, adding "bail-in" clauses in documentary instruments, and technical changes to SWIFT messages for guarantees to further support the digitisation of trade finance. Further to the new changes to Trade Finance Category 7, the Documentary Operations Committee and the SWIFT Committee staged a special workshop in December and conducted case studies for different kinds of guarantees.

In the field of cashing cheques, the Committee received numerous questions from cheque holders in relation to the cheque caching requirements and had to prepare adequate answers. In addition, the Committee harmonised the sample of the statement to be filled in by the bank to the person presenting the cheque, so that the latter can present it to the issuer of the cheque demanding that a direct funds transfer is made.

The Committee members also addressed the issue of banks being treated differently in comparison with other providers of financial services, since banks which conclude a factoring transaction have to report on that transaction to the system for the exchange of information – SISBIZ – and such a transaction is then entered into the system as a liability for extending credit of the bank providing factoring services, whereas other factoring companies are not bound to reporting. To address that issue, a meeting held with the competent institutions resulted in drafting the initiative for the equal treatment of banks in this type of business.

In the field of sustainability of operations, the members of the Committee highlighted numerous dilemmas concerning KYC checks for clients and/or their suppliers and buyers, even though banks are already including in

their contracts with clients the provisions saying that the bank has the right to turn down a transaction, insofar that it would not be compliant with the bank's policy in the field of ESG. It is to be expected that those policies will be amended further and be even tighter in line with the new legislative and regulatory trends.

The Committee was also active at the international level. Its members followed the activities of the bodies of the International Chamber of Commerce (ICC) and, in particular, the activities of the body responsible for technique and practice in banking industry (the ICC Banking Commission), and by submitting their comments joined the consultation process in relation to the adoption of hands-on standards for bank guarantees (International Standard Demand Guarantee Practices – ISDGP). The representatives of the Committee could not attend the meeting of the ICC Banking Commission in 2021 due to the objective reasons, but their participation in the event is scheduled in 2022. On the basis of information and monthly bulletins published by the Commercial Crime Services, of which the Bank Association of Slovenia is a member, the members of the Committee were promptly informed about international frauds involving documentary instruments and warned about the risks arising from the operations in which domestic and international documentary instruments are used.

The area of documentary operations was also included in the training activity of the Bank Association and the topics falling within the scope of documentary operations were presented in the regular programme of the Banking School in 2021. Moreover, the representatives of the Committee took part as speakers in the conference on the challenges in the field of collateralising credit risks associated with foreign and domestic claims of the Slovenian companies. The conference was held in June and the Committee representatives had an excellent opportunity to showcase numerous advantages of trade finance instruments.



## Money and capital markets

### Treasury Committee

The activities aimed at effective liquidity management in the banking system by exchanging positions between the banks – members of the Committee, remained the Committee No. 1 task also in 2021 and the centre stage point on the agenda of the Committee meetings. The representative of the Ministry of Finance presented at the Committee meetings the activities of the Treasury Directorate on a regular basis, in particular in the light of possible changes to the plans concerning government borrowings and the foreseen issuance of debt securities. The offering of the Sustainability Bond drew much attention and, given the fact that demand in that market segment is very high, the Ministry will strive to improve Slovenia's position in that segment.

The members of the Committee also discussed the role of treasury in the transition towards climate neutrality. Specifically, the banking sector regulators – the ECB and the EBA – have already indicated the direction in which we are all going: that climate risk impacts business models of companies and, consequently, may exacerbate other risks within institutions' balance sheets. The ECB published a paper in 2021 undertaking to support the corporate segment and embarked on a course of greening that segment. As pointed out by the members of the Committee, it is of great importance to monitor activities, even though risks associated with the purchases of green bonds shall not be neglected. Since little is known about climate impact, it is difficult to identify all types of risks. Thus the in connection with climate neutrality, it will be also necessary to prepare new investment policy of credit institutions.

The working group on the reform of reference interest rates monitored at its 23 meetings held during the year under review the activities carried out by the European Commission concerning the drafting of the Commission Implementing Regulation that designates the replacement rates for CHF LIBOR to be replaced by the Swiss Average Rate Overnight (SARON) to apply as of 1 January 2022. In the light of the fact that the milestones for the

adoption of the Commission implementing regulation, the working group collaborated actively with the representatives of the Ministry of Finance with the aim to keep abreast with the activities of the European Commission and prepared a joint response to the two consultations launched by the European Commission concerning the replacement benchmark rates for CHF LIBOR in May and August. The member institutions of the Bank Association were also active participants in the working group at the European Banking Federation of which the Bank Association of Slovenia is a member drafting a harmonised response to the consultations launched by the European Commission.

In September, the first general notification for the public on the cessation of CHF LIBOR settings by the end of 2021 was prepared within the framework of working group, after the Commission Implementing Regulation (EU) 2021/1847 of 14 October 2021 on the designation of a statutory replacement for certain settings of CHF LIBOR was published in the Official Journal of the EU, the working group prepared a detail notification for the public, together with the most frequent Q&As.

The Committee members were also highly active during 2021 when it came to proposing the topics for the joint conference of treasury and back-office officers, and of depositary and investment banking officers, held in April as an on-line event.

## Backoffice and Depositary Services Committee

The centre-stage topics occupying the members of the Committee tasked with back office and depositary issues during 2021 concerned the activities carried out within the framework of the back-office functions falling within the field of financial markets and securities depositary. The Committee members met three times in 2021 and on those occasions they took note of the latest developments and exchanged opinions about the proposed legislative acts or the regulatory requirements already in place.

In March 2021, an ad-hoc workshop was organised to exchange opinions concerning the outstanding issues regarding reporting, as well as the issues in connection with SRD II (Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement), in particular in the light of the disclosure of information to shareholders and the respective proxy advisors for data gathering.

At their meeting in October, the Committee members shared position regarding open issues and vague aspects of the implementation of the CSDR – Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories). However, the issues raised remained unresolved also after the workshop organised by the Central Securities Clearing Corporation. On the basis of the conclusions made during the debate, questions were addressed to the Securities Market Agency with regard to the measures in connection with professional clients, the measures serving to abort unsuccessful settlements and the respective contract-based agreements and procedures, as well concerning fines for non-professional clients.

The activity of the working group on depositary issues as regulated in the Investment Funds and Management Companies Act (ZISDU) concerned draft laws governing investment funds (proposals for amending the acts designated ZISDU-3D, ZUAIS-B and ZOAIS), on the basis of which the working group submitted two observations, that is, comments within the framework of the public discussion of the proposals of laws.

The working group on corporate affairs addressed already at the beginning of 2021 the answer received from the Ministry of Economic Development and Technology concerning the questions asked and the draft text of the amended Companies Act (ZGD1-K). In May 2021, requests for clarifications concerning the Companies Act (ZGD-1) were again submitted to the Ministry of Economic Development and Technology, in particular in relation to the right of a company to identify its shareholders, waiving the right to information, and the rights and obligations from shares, and subsequently with regard to the authorisation of the beneficial owner. It is worth not-

ing that all the activities carried out by the working group were connected to the implementation of the requirements laid down in the Shareholders Rights Directive – SRD II and later on – CSDR.

At the beginning of 2021, the members of the Committee were actively involved in defining the content of a two-day joint conference together with their colleagues from the treasury and investment services. They paid special attention to the topical subject of process optimisation, which was included in the agenda of the conference. No new legislative challenges (in addition to CSDR and SRD2) falling within the domain of the Committee for back office and depositary matters were not identified.

## Investment Services Committee

The members of the Committee tasked with investment services did not meet officially in 2021 due to the measures in place aimed at limiting transmission of coronavirus. Nevertheless, in February, the members of the Committee attended a meeting with the management of the Securities Market Agency. The centre state topics of the meeting included ongoing plans for business continuity in the light of the fact that remote accesses used proved highly useful during the coronavirus pandemic. At the forefront were also the efforts directed toward the development of the capital market in the light of the initiatives and projects of the European Commission for the listing of small- and medium-sized companies on the stock exchange and the project for the strengthening and the development of the Slovenian capital market. Furthermore, the representatives of the Securities Market Agency presented the issue of the regulation of sustainable finance by taking into consideration sustainable risks and disclosure of those risks.

Throughout the year, all the materials concerning the area of work of the Committee were distributed to the Committee members in a timely manner; moreover, correspondence between the Committee and the Securities Market Agency went on triggered by a suspicion that the operations of one of the companies on the market might not have been carried out in conformity with regulations, and with the Central Securities Clearing Cor-

poration (KDD) concerning information circulated to clients in connection with investment coupons of a foreign issuer.

The members of the Committee were the active participants in the preparation of the content of the programme of a joint conference of officers of treasury, back office and depositary departments, and investment banking in 2021. The Committee members were kept posted on a regular basis on all relevant information falling within the scope of capital markets through the bulletin *eBilten* of the Bank Association.

## Payment Services and SEPA Project

### Payment Services Committee

The activities of the Committee tasked with the issues in relation to payment transactions were highly intense in the course of 2021, despite the fact that they were limited to electronic communication. The Committee held three ordinary meetings and three meetings were held by correspondence. The topic constantly on the agenda of all ordinary meetings were the activities carried out by the company Bankart in the field of the SEPA payment systems and the E-račun system with the focus on the migration of the technical account to the TARGET Instant Payment Settlement (TIPS) and the analysis of the rejections of instant payments. It was possible for the members of the Payment Services Committee to receive timely information on the banks and savings banks, members of the Bank Association, joining the SEPA scheme for instant payments (SCT Inst scheme) thanks to the SEPA office operating under the umbrella of the Bank Association.

The working group on SEPA credit transfers and for SEPA direct debits learned about the proposals for changes to the rulebooks for SCT, SCT Inst, SDD Core scheme and the SDD B2B scheme prepared within the framework of the European Payments Council scheduled to enter into full force and effect in 2023. The reason for it is the upcoming change over to a newer version of the ISO 20022 standard that will demand enormous adjustments by credit institutions. On the basis of the response of the members of both

working groups with regard to the proposed changes to the rules of operation of an individual scheme, aligned positions were prepared at the Bank Association level and submitted to the European Payments Council after being endorsed at a meeting held of the Committee by correspondence at the beginning of December.

The Committee members received from the Bank of Slovenia information concerning the activities in relation to the digital euro. Two events were organised in 2021 regarding digital euro: in March and in June. Those events were attended also by the representatives of banks and savings banks, the members of the Bank Association. The Bank of Slovenia planned individual talks with the representatives of the Slovenian professional stakeholders in September 2021 in effort to collect as much practical information as possible as a significant guidance for the cooperation on the project at the ECB level.

The working group tasked with the transmission of payment transactions data continued to carry out the activities on kick-starting electronic data exchange with the Police by using a safe electronic e-mail box (VEP). On the basis of the test requests circulated to the three banks that had previously decided to take part in testing the exchange of data, the exchange of test files between those banks and the Police was successfully completed in November. However, the Police feedback was that the VEP application can only validate PDF files and, therefore, it was highly important (for the purpose of establishing identity in follow-up procedures in a court of law) that the data in addition to XML files shall also be transmitted as a PDF file. At the beginning of December, a proposal for an early agreement with the Police concerning the conducting of the test exchange of inquiries (scenarios, documents to be the object of the exchange, and the date for running the tests) was also circulated to other members of the Bank Association.

Concerning the activities carried out by the working group tasked with the transmission of payment transactions data to the government institutions in the field of upgrading e-Sociala, a notification arrived from the Ministry of Labour, Family, Social Affairs and Equal Opportunities at the end of April 2021 in which the Ministry wrote that on the basis of all gathered information they had prepared a comprehensive overview of the situation

(the situation on the ground, expectations, limitations and a survey of the possibilities for realisation) and submitted it to the Ministry of Public Administration and their outsourced providers of services with the aim that the situation should be examined on the basis of the gathered information, and decisions be taken by considering implementation of the possible procedures by the aforementioned ministry. After the activities ground to a halt, the Ministry of Labour, Family, Social Affairs and Equal Opportunities informed us in September of a temporary suspension of activities in that area until further notice.

After the publication of the Legal act on the management of the register of transaction accounts (Official Gazette of the Republic of Slovenia, No. 124 of 29.7.2021), questions were raised by credit institutions in relation to the initial feeding of data into the register of transaction accounts, particularly the data on safe deposit boxes and the data on persons authorised to operate transaction accounts. In order to be able to answer those questions, an ad-hoc working group was set up within the framework of the Committee and given a mandate to upgrade the register (RTR). After clarification of the substantive issues, the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) sent a proposal at the beginning of October to hold a meeting with credit institutions before kick-starting the tests with the aim to clarify any and all open issues and to agree how the tests should be performed. Having completed the test feeding of the data on safe deposit boxes and authorisations into the register of transaction accounts, a plan for the production upgrading of the RTR was agreed to be carried out according to the time schedule agreed beforehand during the first weekend in November. After finishing the initial data feeding into the RTR, the preparation of the respective reports took much longer due to the enormous quantity of data and daily changes than it was the case before upgrading the RTR and, at the same time, certain technical problems emerged in the functioning of the on-line service on the end of AJPES. The technical problems were resolved at the end of November.

In the month of September, the Committee successfully staged a conference on payment services with a special emphasis on instant payments, which are becoming a new reality, and on Open Banking, that is, the beginning of open data economy. The members of the Committee also attended

in October the on-line presentations of the European Payments Initiative (EPI) organised with the assistance of the European Banking Federation and followed by the event called Open Banking held in November at which also the representative of the Payment Services Committee was present.

## Card Operations Committee

The Committee carried out at the beginning of 2021 the last activities concerning the preparations of an on-line conference on card-based operations organised by the Training Centre of the Bank Association at the end of January. The fill rouge of the conference was the presentation of changes and trends in the field of card-based operations against the backdrop of all regulatory requirements and, at the same time, living up to the expectations of consumers.

At the meeting held in March, the Committee acknowledged and endorsed the documents drawn up by Bankart titled "Analysis and conclusions made on the basis of the questionnaires filled in by the participants in the payment system *Poravnava bankomatov*, Assessment of risk associated with the payment system *Poravnava bankomatov* for 2020, and the document on IT security as it arises from the reports of the participants in the payment system *Poravnava bankomatov* for 2021. A cross-section of the activities aimed at discontinuing settlements in the payment system *Poravnava multilateralnega kliringa Mastercard* set up within the central bank's framework was presented to the Committee members together with an additional piece of information regarding notice periods when terminating contractual relationships with the central bank.

The representative of the Bank of Slovenia presented at the Committee meeting up-to-date information concerning the implementation of the Regulatory Technical Standards (RTS) on strong customer authentication at the EU level. It was found that the rate of transactions that banks should reject as non-compliant with the RTS SCA requirements was stagnating, whereas the regulator's expectations were that the percentage of such transactions would significantly decrease after ending the so-called transitional periods in the respective countries. The members of the Commit-



tee brought to the forefront the fact that the merchants from the EU were unprepared for the changes, which meant that the Slovenian merchants found themselves in an inferior position since the banks with which they have concluded an agreement to accept cards via the internet in Slovenia duly observe the relevant regulation whereas cross-border acquirers are not bound to do so and, consequently, they additionally drew attention to the possibility of switching over to a cross-border card service provider.

Two notifications for the public were prepared within the framework of the Committee in 2021: to inform cardholders that after 19 April, a percentage mark-up over the latest ECB euro foreign exchange reference rates will apply to card-based transactions at an ATM or point of sale at which currency conversion is provided, and the secure use of payment cards before the start of summer holidays. Furthermore, numerous activities were carried out in relation to providing relevant answers to the questions asked by journalists.

On the basis of the repeated initiative to raise the limit for contactless card payments from 25 to 50 euros as proposed by the Slovenian Chamber of Commerce, the topic was also on the agenda of the National Payments Council, and the Committee once again polled banks and savings banks on the subject in the second half of November.

In the month of December, the issue once again included in the agenda of the Committee's meetings concerns the unequal position of the Slovenian banks entering into agreements with merchants for the provision of card-based operations due to the financial services tax (DFS). A liability to pay tax on financial services (DFS) puts the Slovenian banks in an inferior competitive position in comparison with foreign providers of payment services, since they have to bear the additional tax burden. Such discrimination raises particular concerns bearing in mind the strong competition by the providers of payment services and in the light of low margins that have become a standard in the payment services industry.

At the last meeting of the Committee in 2021, the preparations were launched for a conference on card-based operations in the organisation of the Training Centre of the Bank Association scheduled for the beginning of 2022.

## SWIFT Committee

For the members of the committee responsible for the relations with Society for Worldwide Interbank Financial Telecommunication (SWIFT) four on-line meetings, that is, the so-called Webex workshops, were organised in 2021, both for the business part and for the technical part of the solutions, instead of the traditional annual meeting with the representative of SWIFT for Slovenia.

The highlights of those workshops were on a migration of the SWIFT services to the ISO 20022 standard, the novelties concerning the SWIFT's programme to enhance security of its clients (Customer Security Programme), and on the presentation of the novelties showcased within the framework of the event SIBOS 2021 held in 2021 in digital form. Special attention was given to the activities serving to ensure compliance with security requirements SWIFT based on the increased scope of cyber risks.

Keeping the Committee members informed thanks to the president of the Committee and the representative of SWIFT for Slovenia, as well as circulating information regarding the developments in the field of SWIFT payments and the SWIFT platform for the optimisation of business processes, remained the Committee's ongoing tasks also in the course of 2021.

## Informatics

### Information Technology Committee

In 2021, we completed the majority of the tasks in the field of informatics, save for the plan to introduce concrete common digital solutions. We received in 2021 the banks' initiative for a shared rental of the SOC security services, most members chose not to join the initiative.

The Committee held one corresponding meeting and two physical meetings during 2021, but the activities concerning current topics went on all year long by email.

In the course of 2021, the Committee took part in or completed independently the key activities described in more detail below together with the results obtained.

First of all, an important task the Committee carried out was sharing information, experience and positions with regard to monitoring modifications and amendments to legislation and standards governing a particular area, as well as the implementation of legislation regulating information technology. Special attention was paid to the security of IT solutions. All year long, we kept the Committee members posted on the EU cyber news, briefed them about the threats to financial sector identified by the Computer Emergency Response Team for the EU Institutions, bodies and agencies – CERT-EU – and Europol alerts and notices for the public concerning attacks on the information systems of the financial institutions in the EU.

The mutual cooperation of the Committee members with the competent institutions on all changes to processes and legislation was highly important also in 2021 knowing that it is the only way to achieve the common goals set in the agreed arrangements on the implementation of the rules, instructions and the infrastructure architecture. In 2021, the Committee got involved in the debate on a new draft of the Electronic Identification and Trust Services Act (ZEISZ), the draft of which was once again submitted in December 2020 for inter-ministerial coordination. The Bank Association sent the comments and proposals of the banking sector to the Ministry of Public Administration on 15 December, and at the end of December, additional comments were coordinated together with the Chamber of Commerce and Industry (GZS) with a focus on the use of qualified digital certificates as a means of electronic identification and the issuance of qualified digital certificates to authenticate the identity of the person signing the electronic document by video identification. The discussion about the Act was again on the Committee's agenda in April and, specifically, in the light of the announced changes to the regulation of admissibility of video electronic identification in the procedure of determining a person's identity for the purpose of allowing access to the SISBON system. In May 2021, the Committee joined the discussion concerning the proposal of the new Consumers Protection Act, in particular in connection with Article 22 that prescribes keeping logs. In June, we examined the proposed Regulation of

the European Parliament and of the Council amending Regulation (EU) No 910/2014 as regards establishing a framework for a European Digital Identity and presented by the European Commission. The Regulation should enable a breakthrough for digital documents in Europe, given the fact that at present, only 14 member countries have so far notified at least one eID scheme. The core of the proposal is a digital identity wallet to be used by the citizens, inhabitants and enterprises in the EU. It would be given upon voluntary request by the EU Member States. Such digital identity wallets will be free of charge and will serve to store and manage different documents: a identity card or a driving licence. It would be used when dealing with government institutions to digitally identify themselves, but also for dealings with the private sector, without revealing their identity or any other personal details not necessary for the transaction in question.

The Committee members were also intensively occupied in the course of 2021 with the issue of streamlining reporting to different institutions, and to that end, they continued to collaborate with the Bank of Slovenia in particular, as it is the main partner in the area in question. Given the high frequency of introducing new reporting requirements and changes, as well as considering extremely tight timeframes for their implementation, the Bank Association sent a letter to the Bank of Slovenia in October concerning the additional reporting requirements and once again proposed that banks and savings banks should be notified in advance and invited to collaborate already in the phase in which the introduction of new data in an upgrade is contemplated once a year, twice a year only as an exception, as regulated for the EBA / ITS reporting by stipulating a minimum time horizon for implementation of six months after the publication of the respective final instructions. Moreover, a mixed working group on regulatory reporting should be formed, with the aim to rationalise reporting. Such a working group should be composed of the representatives of the Bank of Slovenia, the working group tasked with reporting matters, and the Information Technology Committee. In view of the forthcoming new requirements and changes to reporting, the members of the working group would engage in ongoing communication both within and outside the group. The November conference of IT professionals closed with a roundtable discussion about reporting rationalisation in which the representative of the central bank from the new Data Management Office set up at the Bank of Slovenia.

He concurred that the milestones for the implementation of changes to reporting were often set at too short a distance, hence the Bank of Slovenia shall strive to examine the issue of reporting burden within the framework of the recently set up office. The Bank of Slovenia also seconded the proposal for strengthening cooperation with the banks and savings banks by setting up a task force.

Within the framework of the Committee, we continued to promote the use of the ZBS B2B communication interface, which enables B2B exchange of all sorts of data between different partners and provides for end-to-end connectivity with different areas of operations. We achieved eventually that a new data exchange carried out in conformity with the FRP standard led by the Chamber of Accounting Services at the Chamber of Commerce and Industry (GZS), will run through the ZBS B2B communication interface. In the month of November, on request from the committee for retail banking, we also looked into initiative to set up electronic exchange of notices regarding switching bank proposed to be transmitted via the ZBS B2B communication interface.

**Security Forum** of the Information Technology Committee held two meetings in 2021. The activities regarding the exchange of information and experience in the field of IT security continued, with the exchange of opinions and drafting recommendable solutions in the field of security and participated in formulating the positions concerning changes to legislation.

We took part in a public consultation of the European Union Agency for Cybersecurity (ENISA) on the European Cybersecurity Certification Scheme for Cloud Services (EUCS). All year long, were examining the documents and positions concerning the European Commission's proposal for the regulation of digital operating resilience for financial sector – the Digital Operational Resilience Act (DORA). We took note of the guidelines of the European Data Protection Board (EDPB) on personal data breach notification amending the WP29 Guidelines already in place and providing practical recommendations and guidance based on the hands-on experiences of the bodies tasked with personal data protection since the adoption of WP29. The objective of the guidelines is to provide guidance to controllers in order to help them to decide whether to notify data subjects in case of a

breach, as well as to identify the factors to be taken in consideration when assessing risk.

Furthermore, we studied the proposal for a common categorisation of cyber and other information technology incidents prepared within the framework of the G7 Cyber Expert Group serving to help formulate more efficient reporting, understanding, and managing incidents.

The European Union Agency for Cybersecurity, ENISA, published its report on the state of the cybersecurity threat landscape in March focused on achieving alignment and cyber resilience in the financial sector, and the report on EU cybersecurity initiatives in the financial sector. In May, we examined the EBA report on consumer trends for 2020/2021 and the conclusions adopted by the European Council on the EU's cybersecurity strategy for the digital decade presented by the European Commission in December 2020. We also took part in the 8th annual assessment of the Internet Organized Crime Threat Assessment (IOCTA) report prepared by Europol.

In the month of May, the European Banking Federation (EBF) launched a public consultation to propose the EBF amendments to the Revised Directive on Security of Network and Information Systems (NIS2) and to review the EBF positions on the EC evaluation of Regulation on electronic identification and trust services for electronic transactions in the internal market (eIDAS).

The European Banking Authority (EBA) also published the Revised guidelines on major incidents reporting under the Payment Service Directive (PSD2) followed by the European Banking Federation circulating a questionnaire preparation the positions of the European banking sector regarding a common reporting framework for ICT incidents.

Moreover, we took part in the preparation of the materials for Cyber-Scams2.0 campaign, provided the translations of the promotional infographics and circulated them to the members of the Bank Association.

In November, we discussed the changes to the EBA's regulatory technical standards (RTS) on strong customer authentication and secure communi-

cation (SCA&CSC) in accordance with Payment Service Directive (PSD2) in connection with the exemption from the application of SCA for access to a payment account of 90 days of.

All year long, the members of the Security Forum were also kept informed about the materials of the task force for cybersecurity operating within the framework of the European Banking Federation of which the head of the Security Forum is a member.

In the field of sharing information on scams and incidents with the national security centre SI-CERT, important progress was achieved in 2021 by striking an agreement and, specifically, that banks will establish their own the Malware Information Sharing Platform (MISP). To that end we held three meetings with the representatives of SI-CERT; a new working group tasked with the preparation of a concept for the inclusion of banks and savings banks in MISP at SI-CERT was formed in 2021 and already held three meetings. The purpose of the project is to provide for a system for sharing useful information in relation to information security and, specifically, with the aim to increase speed and precision of the exchange of information. A key consideration in this regard is to cater for the data from the region in particular, given the fact that such data may not have been captured in other databases.

## Public Relations and Publishing Activity

Within the framework of the publishing activity, we issued the electronic version of the 2020 Annual Report of the Bank Association of Slovenia. Within the framework of PR activity, we acted along the lines of its communication strategy and spared no effort to raise the level of bank reputation and the community trust in banks alongside the strengthening of public awareness of the role banking and finance by building public awareness. We reported in detail on a quarterly basis to the Supervisory Board of the Bank Association on the communication strategy and the results obtained.

We also worked on promoting the image of the Bank Association as a relevant counterpart for different issues and deepened the cooperation with

the relevant partners. One of the fundamental tasks was also proactive and up-to-date reactive communication with the general public, that is, with the media. We paid special attention to timely communication, especially when it came the topics from the area of operations security.

We coordinated, prepared and aligned answers to the questions asked by journalists in collaboration with the professional services of the Bank Association and the PR representatives of the member institutions. We also took part in the activities carried out by other working bodies of the Bank Association on the preparation of materials to be published and, of the Association's announcements to be released to the general public. To that end, we focus of attention was on proactively channelled communication with the general public and in particular in those areas in which all members were implementing changes and novelties due to the changes to regulation. Communication in relation to individual areas followed the operational plans prepared in advance and in accordance with the adopted communication strategy. Furthermore, we paid attention to communication with the general public concerning the issues generated within the framework of the overall activity of the Bank Association (positions adopted by professional committees and bodies of the Bank Association, professional training events, and the activities in the field of financial education). The restrictions in place intended to reduce coronavirus transmission prevented physical meetings with journalists in 2021.

Among other achievements in 2021, redesigning of the public website was completed and we embarked on the overhaul of the extranet of the Bank Association once again by keeping focus on bring the web pages up to date by delivering high-level security, functionality, design, customer-friendly, substantial, as well as technological aspect. The production of the redesigned web pages was in October. In addition, all year long, we were engaged on the web content management and by keeping the visitors to our web pages posted on significant developments in the industry, we were supporting the whole activity of both the Bank Association and of its working bodies. Every week on Thursdays, we had the bulletin ZBS eBilten ready for our extranet subscribers – employees of the member institutions of the Bank Association. In 2021, we were busy maintaining and monitoring the base of the extranet users.



## Social partnership

Among many issues the Bank Association coped with in the course of 2021, there is the activity in the field of collective bargaining, that is, social partnership.

In the absence of inflation in 2020, the amounts of the lowest base pay from the appendix to the Collective Agreement of the banking sector in the Republic of Slovenia (Collective Bargaining Agreement) were not adjusted in January 2021 and the year 2020 actually ended with deflation.

In 2021, the Bank Association initiated the activities for the adoption of a new pay rates schedule. The collective bargaining negotiation teams sat at the negotiation table for the first time at the beginning of November and then met once again in November, but no deal was closed in 2021.

It is also worth pointing out that at the beginning of 2021, the amendments to the Banking Act were adopted including employee representation, that is, worker participation, in corporate governance of banks. Specifically, bank employees can have their representatives in supervisory boards, but not also in bank management boards.

The traditional conference of human resource professionals was held as an on-line event also in 2021, due to the restrictions in place in relation to the COVID-19 pandemic.

## Committee for the Collective Bargaining Agreement

The members of the Committee tasked with the issues concerning the Collective Bargaining Agreement were active throughout the year looking into relevant issues of immediate interest by correspondence, exchanging opinions and practical experiences in relation to concrete matters. Significant part of the Committee's activities was focused on the conclusion of a new pay rate schedule.

The members of the commission tasked with the interpretation of the Collective Bargaining Agreement held a meeting in 2021 and examined the issue of the interpretation of the first, the second, and the third paragraph of Article 60 of the Collective Bargaining Agreement. Specifically, whether the wage supplements referred to in those paragraphs shall be paid out to an employee, if they are already comprised in the complexity of the workplace that employee fills in; hence, such supplement is already calculated in his/her base salary. The position of the commission is that the provisions set out in Articles 60 and 150 of the Collective Bargaining Agreement are sufficiently clear and do not require official interpretation to be published in the Official Gazette of the Republic of Slovenia. If the bank and the trade union have summarised the provision of Article 150 of the Collective Bargaining Agreement in their company collective agreement and on the basis of it have drawn up job descriptions for individual workplaces/posts by including in those descriptions any special workload present when working at that workplace, then the employees at those workplaces are not entitled to those supplements since they are already comprised in their base salaries. If that is not the case, and the bank has not formally regulated that area, then its employees shall be entitled to the supplements from Article 60 of the Collective Bargaining Agreement.

In connection with the initiative dating back to 2019 and addressed to the Ministry of Labour, Family, Social Affairs and Equal Opportunities to amend the Employment Relationships Act, by means of which the use of the institute of work from home would be simplified and rendered more attrac-

tive and useful for employers, nothing happened in 2021, even though the Ministry announced changes to legislation.

### **Human Resources Forum**

In 2021, a new forum was formed in order to deal with human resource issues other than those governed by the Collective Agreement for the banking activity. The issues at the forefront refer to work from home, ethics and business culture, COVID-19 pandemic, organisation of coronavirus vaccination, compliance with and controlling the PCT (recovered-vaccinated-tested) requirement as laid down in the governmental ordinances (for employees, as well as for customers of banks and savings banks) and the employee representation in banks' supervisory boards. On the initiative given by the members of the HR Forum, several letters were circulated, in particular in connection with vaccination and the PCT requirement for customers and employees working from home. In addition, a notice for the public was prepared setting out the conditions for visiting bank branches.

## **Legal Affairs, Compliance and DPO Forum**

In 2021, the specialists engaged in legal affairs were responsible to convene the general meetings, several ordinary and extraordinary meetings of the Supervisory Board of the Bank Association, as well as the meetings held by correspondence, the meetings of the committee tasked with legal affairs and of the committee for the collective bargaining agreement, as well as the meetings of the working groups of the aforementioned committees. Furthermore, the staff of the legal affairs area provided organisational and administrative assistance to the committee responsible for compliance matters, and to the committee for the prevention of money laundering and their respective working groups.

In cooperation with the staff of the banks and savings banks, we prepared in 2021 a series of initiatives to modify and amend legislation addressed to the competent ministry and to the Bank of Slovenia, and we kept pace with the developments in the legal and regulatory area that were at the forefront during the year. We took part in formulating comments regarding the Prevention of Money Laundering and Terrorist Financing Act, the

new Banking Act, and the new Consumer Protection Act, the act amending the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act, and the Enforcement and Security Act (in some cases proposed amendments were submitted to the National Assembly). Under the new law governing the banking sector, the issue of worker participation, that is, employee representation, in management and governance of banks was resolved by opening the door to employees to have their representatives sitting on supervisory boards, but not also on bank management boards. In connection with video electronic identification, we followed closely the adoption of the Electronic Identification and Trust Services Act.

In addition, we were involved in a host of activities carried out within the framework of other working areas and described in detail under the respective headings. Together with the Ministry of Justice and the Notary Chamber of Slovenia, we continued the exchange of opinions and proposals concerning practical difficulties faced by the banks and savings banks when entering their entitlements in the Register of non-possessory security interests and goods in distraint. Further on that topic, a conference was also organised for a wider circle of stakeholders at the beginning of March resulting in formulating conclusions expected to facilitate understanding of the matter and remove obstacles to doing business. We also took part in overhauling the recommendations on the conduct of the members of the Bank Association of Slovenia in the cases of suspected transactions arising from on-line fraud.

In the field of loans denominated in Swiss Francs, numerous activities went on in 2021, and a task force responsible for the matter in question met several times driven by the importance of the matter. In the month of April, the National Council of the Republic of Slovenia resubmitted a proposal of a new law on limiting and distributing currency risk between lenders and borrowers of loans in Swiss Francs. The Bank Association submitted its position in connection with that topical issue containing explanations and arguments to the National Assembly of the Republic of Slovenia and to the parliamentary groups in which we vigorously opposed the adoption of the law. Moreover, both the government and the ECB have delivered a negative opinion on the proposal of the law.

With regard to the procedure conducted by the Market Inspectorate (TIRS) in connection with the Guidelines on the regulation of relations between banks and borrowers whose consumer loan agreement is denominated in Swiss Francs or includes a foreign exchange clause in Swiss Francs, it continued in 2021. The Bank Association started a legal action before the Administrative Court of the Republic of Slovenia against the decision adopted by the Information Commissioner of the Republic of Slovenia. The proceedings before the Administrative Court are running and the Bank Association has decided that all the procedures described above shall be handled by an outsourced law firm. On the other hand, in mid-March 2021, the Bank Association once again reported the Bank Association of Slovenia (and ten banks) to the Market Inspectorate alleging unfair commercial practice (the complaint concerning the banks was once again addressed also to the Bank of Slovenia) in connection with the publication of the opinion expressed by the Bank Association of Slovenia with regard to the ruling of the Constitutional Court of the Republic of Croatia in the case of loans denominated in Swiss Francs (by virtue of which the constitutional complaint filed by the banks against the ruling of the Supreme Court of the Republic of Croatia was rejected) posted on the web pages of the Bank Association of Slovenia and summed up by the media highlighting that the ruling of the Croatian court is not relevant to the cases brought to the Slovenian courts. The position of the Association Bank was that the publication, which is also addressed to consumers, misleads the public. In connection with the report to the Market Inspectorate, the Bank Association has engaged the law firm referred to above to handle the case. The Bank Association then sent detailed explanations to the Market Inspectorate (TIRS) and based on those explanations, the Market Inspectorate suspended the administrative inspection procedure as no violation was detected.

The working together with other stakeholders, the area tasked with legal affairs drafted programmes for the conference of legal professionals, the conference of human resource professionals, the conference on the prevention of money laundering, and the conference on compliance held in 2021.

Among other internal activities worth noting, the following are of particular importance: the revising individual internal rules and regulating legal issues concerning the employment relations within the framework of the

Bank Association, the publication of the Mass Media Act in the Official Gazette, bring the data in the transparency register up-to-date, following the procedure for the registration of commonhold tenure in the Land Register, and taking part in a number of other activities running in different areas of operation of the Bank Association. The head of the legal area also participated in the work of different internal commissions of the Bank Association.

In conclusion, the activities going on during the pandemic were largely dictated by the emergency measures put in place with the aim to limit its propagation, and the laws determining the intervention measures to contain the COVID-19 epidemic. All legal offices of banks and savings banks were in touch all the time via electronic mail in order to keep exchanging opinions and practices, and to formulate common positions. When necessary, "MsTeams meetings" of all legal offices were organised. There were numerous comments and proposals, as well as activities, in connection with the Act determining the intervention measures to contain the COVID-19 epidemic and mitigate its consequences for citizens and the economy, and legislative acts with the focus on certain decisions passed by the government, and also in connection with vaccination and the PCT (recovered-vaccinated-tested) requirement concerning customers and employees working from home.

## Legal Affairs Committee

All the above matters are at the same time the most important issues on the agenda of the Legal Committee in 2021. As already mentioned, a lot of time was devoted to dealing with the loans denominated in Swiss Francs and it was a regular topic on the agenda for the Committee meetings. Furthermore, the Committee members discussed the latest developments and the activities in the field of the interest rate benchmark reform. All three working groups set up within the framework of the Committee continued their work (on the recommended Instructions on enforcing the decisions on debt collection through banks and on the debt enforcement instrument (*izvršnica*) and the Instructions on the transmission of confidential data). In addition, the Committee activities comprised the topics for the annual

conference of legal professionals in banks. The members of the Committee and also the members of the working groups addressed specific issues by correspondence during the year and exchanged opinions and practical experiences concerning other matters. The Committee participated in formulating comments concerning the draft contract with the PwC audit firm (common audit of the outsourced service providers), examined the ECJ's Lexitor judgement (C-383/18) in conjunction with the Consumer Credit Act (ZPotK-2) and, with the aim to elaborate on the subject, a wider workshop was organised in October involving the representatives of the Bank of Slovenia. On top of many pressing matters, the Committee members debated on several occasions the issue of the global interest rate benchmark reform and of the discontinuation of the Swiss Franc LIBOR interest rate (Commission Implementing Regulations (EU) (CHF LIBOR and EONIA) were published in the Official Journal of the EU on 22 October 2021, hence no special national regulation is not necessary).

On the initiative given by the Committee, we proposed to the Notary Chamber digitalisation of certain notary services, send a proposal to the Ministry of Finance to amend the Payment Services, Services for Issuing Electronic Money and Payment Systems Act, a proposal to the Ministry of Justice to amend the Land Register Act. The Committee also debated the legal issues concerning fiduciary accounts, cashing debt enforcement instruments (*izvršnica*) and the Judgment of the Higher Court at Maribor VSM I Cpg 212/2020.

At the end of the year, in cooperation with other relevant committees a mixed ad hoc working group was appointed with a mandate to prepare a methodology, that is, a formula for the reimbursement of costs in the event of a prepayment of a consumer loan.

## Compliance Committee

The Committee kept up to date with and addressed the relevant matters in relation to which the Committee members were also sharing their experience from practice. One such issue worth noting is a dilemma concerning the possibility to provide ancillary services also for companies in

a banking group, that is, whether the compliance office of one bank can perform compliance function also in its controlled company (for example: its subsidiary for lease operations). The members of the Committee took part in formulating comments concerning a draft of the proposed new law governing the protection of personal data and also debated the guidelines of the European Securities and Markets Authority (ESMA) regarding certain aspects of the requirements to align compliance functions with the regulation released by the Securities Market Agency for public consultation with the deadline for the submission of comments on 7 May 2021.

During the coronavirus pandemic, the members of the Committee tasked with compliance matters followed closely the issuance of intervention legislation and was involved in the discussion of specific issues of relevance to compliance.

At the online event held in November, the Committee members exchanged information about the experiences in the field of digitalisation of compliance procedures and exchanged opinions about the ESG factors and sustainable the development.

Also other current matters were addressed within the framework of the Committee, and a programme for the compliance conference was also prepared. The 2021 conference took was once again organised in collaboration with the Slovenian Insurance Association and the Investment Fund Association.

### **DPO Forum**

Officers tasked with the protection of personal data get together when necessary and exchange experiences within the framework of the DPO forum and in 2021, they were also briefed about the reply of the Information Commissioner to the letter in connection with safekeeping documents on financial transactions. The members of the forum engaged constructively in drawing up comments on the draft of the proposed new Personal Data Protection Act. Furthermore, they were kept posted by their representatives on the EBF DPO forum (they held a virtual meeting at the end of January) about the developments at the EU level and the novelties in that field.



## Anti-money laundering and ethical behaviour area

### Ethics Committee

The Committee tasked with ethical issues established in 2018, did not have any meetings in the course of 2021 in the absence of reports on any breaches.

### Anti-money Laundering Committee

The Committee tasked with the prevention of money laundering issues addressed in 2021 a myriad of issues. The focus was on unresolved issues concerning the implementation of the Prevention of Money Laundering and Terrorist Financing Act, and to that end, opinions and practice were shared with regard to AML and instant payments, closing bank accounts (of both corporate and individual customers), that is, turning down applications to open an account, the issue of the rising number of periodical customer checks, and the transitional period for another identification.

At the start of the year under review, several meetings of the AML officers were organised with the Bank of Slovenia to guide the implementation of the central bank's guidelines concerning risks associated with money laundering and terrorism financing. At the request of the banking sector, the Bank of Slovenia extended the deadline for the implementation of the requirements to 31 March 2021. In addition, a special gathering was organised in connection with overhauling prudential reporting to the Bank of Slovenia.

Further steps taken with regard to the AML/CFT area comprised a meeting held at the beginning of September between the representatives of the Committee and the representatives of the Office for the prevention of money laundering and on that occasion, the latest information and best practice in that area were shared.

During the year under review, within the framework of the activities carried out by an ad hoc group, the list containing indicators for the detection of suspicious transactions was revised. The members of that group finalised the draft in October and then got together with the representatives of the Bank of Slovenia and of the Office for the prevention of money laundering (UPPD) who announced that remarks in writing would follow shortly. It is still work in progress and it is expected that the indicators would get green light in the first quarter of the forthcoming year.

In connection with the adoption of the new Prevention of Money Laundering and Terrorist Financing Act, the Committee drafted in 2021 the proposed modifications and amendments to the act and submitted them to the Ministry of Finance and also to the Office for the prevention of money laundering and to the Bank of Slovenia. The proposal of the act was endorsed by the government and submitted into the parliamentary procedure in mid-November.

At the beginning of November, AML compliance officers attended bespoke training, that is, the workshops organised and delivered by the Office for the prevention of money laundering. Among other matters, the Office presented the statistical data and the content of the reports on suspicious transactions, and showcased examples of good practices and bad practices in relation to suspicious transactions reports. In connection with suspicious transactions reporting, in the middle of November, AML compliance officers from of banks and savings banks gathered together at a special meeting to exchange good practices, that is, experiences.

At the end 2021, also the traditional annual conference of specialist for the prevention of money laundering and terrorist financing was held.

## Products and services for consumers

In the field of retail banking operations, relevant activities were carried out by the committee tasked with the provision of financial services to individual consumers and the working group tasked with security of persons and property during 2021. However, the COVID-19 pandemic affected the

scope and content of the activities of those two working bodies of the Bank Association in 2021: particularly by making adjustments in order to comply with the measure out in place with the aim to provide for safe operations with customers. When discharging their duties, both working bodies duly observed the strategic guidance provided by the Bank Association for 2021 in four areas as set out below:

1. Reputation (strategic communication and adopting a stance vis-à-vis other stakeholders and enhancing cooperation with them, recasting the content for a new web page),
2. Bank regulation and supervision (implementation of the EBA guidelines),
3. Digital transformation (digitalisation procedures, enabling operations with remote access),
4. Protection of consumers and data (implementation of amendments to legislation regulating consumer protection, consumer loans and novelties in the field of payment services, cooperation with eSeniorji, conducting a national survey on attacks).

Moreover, answers to the questions asked by journalist falling within the domain of retail banking were prepared, as well as answers to the questions asked by consumers seeking different information and clarifications.

The details of the most important tasks performed in 2021, that is, the work done by both committees are presented below.

## Retail Committee

In the course of 2021, the Committee members held three meetings and two ad hoc meetings to discuss specific topics, and there was one meeting of the Committee with the representatives of the Bank of Slovenia. The situation caused by the COVID-19 pandemic called for round the clock communication through e-mail messages not only among the Committee members, but also among the representatives of all banks and savings banks for the purpose of exchanging opinions and practices regarding

the implementation of the provisions laid down in the Ordinance on the method of meeting the condition of morbidity, vaccination and testing to curb the spread of SARS-CoV-2 virus infections. Nevertheless, a common denominator of the positions as to how the legislative acts should be implemented was not found, primarily due to the fact that there seemed to be different possibilities for their implementation.

Within the framework of its other regular activities, the Committee for retail banking operations stepped up efforts aimed at monitoring the developments and examining the events in the field of retail banking. To that end, the Committee collaborated with the Ministry of Public Administration, Ministry of Labour, Family, Social Affairs and Equal Opportunities, Consumer Association of Slovenia and with the Bank of Slovenia.

All year long, the Committee members observed the effects of the Regulation on macroprudential restrictions on lending to households. In the month of February, the Committee proposed to the Bank of Slovenia to withdraw the aforementioned Regulation, since, due to the consequences of the coronavirus epidemic, a surge in consumer credit witnessed earlier was replaced by a falling trend in lending, hence the reasons that called for the adoption of the Regulation no longer existed. In addition, the minimum wage increased in 2021 raising the limit for creditworthiness of a consumer by 64 euros. The Committee members also looked into the possibility to decrease the cost of supporting dependent family members in the case in which a dependent child receives a scholarship or a dependent child allowance. In the opinion of the members of the Committee, in such a case, those would be the borrower's own funds that can be deducted from the amount of income that shall remain to the consumer in accordance with Article 6 of the Regulation on macroprudential restrictions on lending to households according to the criteria for allocating cash social assistance laid down in the law governing social security benefits. Therefore, the amount of income required to support a dependent family member could be lower, hence the Bank of Slovenia was asked to corroborate the interpretation as described above.

As regards the issue of raising the minimum wage, the Committee members also held an ad hoc meeting and discussed the foreseen effects a

rise in the minimum wage would have on consumers and drafted an announcement for the public.

At the beginning of 2021, the Committee thoroughly examined the issue of the replacement of the benchmark rate LIBOR by Swiss Average Rate Overnight – Saron – and continued to follow the developments in that area throughout the year.

Upon a request by the leasing companies – members of the Bank Association – the Committee exchanged opinions concerning access to the data held in the Sisbon/Sisbiz database in case that the borrower is a sole proprietor (s.p.). The resulting findings show that banks do not share a common stance with regard to that issue.

A letter was sent by the Ministry of Labour, Family, Social Affairs and Equal Opportunities with the instructions for credit institutions in case that the monies drawn down from the account as an overdraft (or a loan) are still outstanding and such a debtor receives social benefits paid out from public funds (the budget). Should that be the case, credit institutions shall forfeit any monies received as a child support allowance, as well as any monies received as charity funding under the so-called Botrstvo aid scheme. The Committee examined the practice in place and found out that banks in their standards agreements with customers have a clause that gives them the explicit right to settle (offset) any and all outstanding obligations using the positive balance on the debtor's transaction account. If such a settlement is executed automatically, clients' requests are dealt with individually, taking into consideration the circumstances of each and every case. In the event that a client files such a complaint, it is decided on the individual basis (if possible, in favour of the client).

At several Committee meetings, its members also looked into the implementation of the EBA Guidelines on loan origination and monitoring. To discuss the matter further, also an ad hoc meeting was convened and on that occasion the members of the Committee gathered the questions most frequently received on that topic and prepared uniform explanations with regard to the implementation of the Guidelines. In addition, the Bank of Slovenia and the Ministry of Finance were also asked to provide relevant

clarifications and a proposal to amend the provisions of Article 21 of the Central Credit Register Act with the aim to enable access to the data on indebtedness of natural persons (individuals) and economic actors (corporates) also during the duration of a credit facility (life of a loan) for the purpose of monitoring it.

A representative of the Ministry of Public Administration attended upon invitation one of the Committee meetings with the aim to get in-depth information about a new identity card to be issued in 2022. It will be possible to use the new biometric ID card as electronic identification, so remote e-identification of bank clients will be facilitated. It will feature two electronic identification features (a high and a low reliability level) and a qualified certificate for electronic signature. The use of that function, however, will be regulated by the Electronic Identification and Trust Services Act. Hence the identify card could serve as a national document for cross-border electronic transactions.

Upon a request by the Ministry of Labour, Family, Social Affairs and Equal Opportunities, the Committee also examined the effects changing the date on which salaries are paid out in the public sector have on bank customers – employees working in the public administration. Paying credit instalments and the costs incurred by having to change the date for the payments of obligations made by direct debit problem was examined in particular by the Committee members.

As requested by the Association of Centres for Social Work, the Committee examined the issue of entering personal data of the guardians of person under guardianship of the social work centres and a respective power of attorney granted to such guardians.

The Committee members also addressed the possibility for decreasing the cost of supporting dependent family members in the event that a dependent child is a receiver of a scholarship or a child support allowance. In the opinion of the members of the Committee, such benefits could be treated as own funds that can be deducted from the amount of income in accordance with Article 6 of the Regulation on macroprudential restrictions on household lending referring to the amount of income stipulated for the

person that he/she is supporting according to the criteria for allocating cash social assistance set out by the law governing social security benefits that shall remain for the consumer. Hence the amount of income required to support a dependent family member could be lower. We asked the Bank of Slovenia to confirm such interpretation as described above.

On the initiative of the Advocate of the Principle of Equality, the Committee discussed the issue raised with regard to the practice followed by the Slovenian banks and savings banks not to grant loans denominated in a foreign currency. It was confirmed that loans denominated in a foreign currency are no longer offered by the banks and savings banks in Slovenia.

The Committee members took note of the publication titled "Consumer Trends Report". They wanted to see in particular whether it would be possible to get information on indebtedness of households in other European countries from the figures presented in the report. The Consumer Trends Report was also a source of data for answers to the questions asked by journalists and when releasing information for the public.

On the initiative of the Payment Services Committee, the initiative for the exchange of notifications concerning bank switching in electronic format also for creditors under the SDD transactions. At present, the SDD creditors receive a notification when a debtor changes their bank containing the new transaction account number from the new bank in paper form by post. Therefore, a proposal was submitted to transmit such notifications to creditors in electronic form. The members of the Retail Committee agreed that transmitting notifications should be in electronic form in the future. They proposed that all banks shall be informed about the initiative and the proposal examined together with other relevant services. In the case that the banks' response is positive, a working group will be appointed and tasked with the preparation of the best solution for circulating electronic notifications.

The Committee also addressed the difficulties consumers often faced in the course of web-based operations and highlighted by the Consumer Association of Slovenia. The Committee members concluded that it was true that the use of electronic/online bank and on-line transactions surged in

the wake of the COVID-19 pandemic due to which changing over to the digital form of retail banking for consumers was encouraged.

Upon a request of the Ministry of Economic Development and Technology, the Committee discussed the assessment of the effect of the Directive concerning the distance marketing of consumer financial services and participated in the survey circulated by the Ministry. Moreover, the Committee was asked to assess the impact of the proposal for the directive on consumer credits. The Committee responded by providing specific remarks concerning the draft directive and underlining that the way in which the directive would be transposed into the national legislation and implemented in practice was of utmost importance. Even more so due to our findings that the provisions of the current directive on consumer credits are implemented differently in different countries.

Acting on a proposal of the Association of Employers of Slovenia (ZDS) to reduce the administrative burden employers have when filling in forms to be submitted to a bank with the information on the applicant's salary for the purpose of obtaining a loan, banks undertook the task of drafting a form to be used by all credit institutions. The form is now in the final phase of gathering comments, and its implementation is scheduled for the beginning of 2022.

The Committee held one ad hoc meeting with the representatives of the Committee tasked with legal affairs and the representatives of the Bank of Slovenia, as well as with regard to the early repayment of a loan and the ensuing repayment of costs in proportion with the residual duration of the contract in accordance with the Judgement handed down by the European Court of Justice of 11 September 2019 in Case C-383/18. When looking into lending practices, the question to be asked is also whether it is necessary to make a distinction between consumer and mortgage loan agreements. When it comes to the reimbursement of part of credit costs, it is the opinion of the banks that it is necessary to draw a line between the legal and accounting method for the calculation of proportional costs to be reimbursed and to that end, take into account their own price of services as well. Another issue raised and addressed by the Committee was refunding appraisal cost (provided that it was borne by the customer/borrower) and



whether early repayments of overdrafts should also be treated in the same manner. Banks were particularly adamant that for the cases of early repayment of credit and in connection with it the reimbursements of a proportionate part of costs of credit, it shall be necessary to adjust adequately the business processes and put in place the IT support, and that will require a transitional period; hence the banks asked the regulator to take it into account. The Bank of Slovenia expects the banks to develop their in-house methods for calculating the reimbursement of costs and those methods shall be verified when an individual bank is examined by the regulator.

Also in the course of 2021, the Committee members agreed opening hours for branch offices of all banks and savings banks on 24 and on 31 December 2021 (until 12 o'clock) and informed the public through the Bank Association bank of Slovenia.

### **Working Group on Security of Persons and Property**

The working group met five times in the course of 2021, but the communication between the members was going on via electronic mail all the time.

Since the outbreak of the COVID-19 pandemic, the debate went on within the framework of the working group on security of persons and property in relation to the security of operations in bank branches. Wearing protective face masks is a security risk as it facilitates the commission of different criminal offences given the fact that a client entering a bank branch cannot be identified. By putting in place the RVT (recovered/vaccinated/tested) condition to pay a visit to a bank branch, the security risk was changed and in even increased in a certain segment, since banks are dealing on a daily basis with clients who are not satisfied with the aforementioned condition and who also express their dissatisfaction with "violence" vis-à-vis bank employees. Such violent behaviour is most often verbal and, in some cases, also physical. Knowing that each case of verbal violence could potentially escalate also to physical violence, bank employees turn to the police and to the security service as each violence increases the risk for the security and safety of the bank staff and of the bank operations.

With the aim to give precedence to preventive action, a letter was addressed to the General Police Directorate on 29 September 2021 demanding the

tightening of preventive activities in the vicinity of bank facilities particularly on pay days of for social transfers. As reported by the banks, the police responded, and police officers paid preventive visits to bank branches.

Compliance with the RVT condition is verified by different inspection services, which are autonomous in their work and have in place the processes to control compliance with the RVT conditions for different practices (mandatory checks at the entrance, mostly checking compliance with the RVT condition at a teller's window).

A remark was addressed to the Ministry of Justice in relation to the amendment to the Personal Data Protection Act. Specifically, the use of body cameras (bodycams) is allowed for the transmission of secret data, it was proposed that the act should be amended to allow also the use of bodycams for cash transportation.

Within the framework of other activities, the working group took the necessary steps for the implementation of the recommendation referring to the area of physical protection – best bank practice when it comes to protecting banks and savings banks in collaboration with the institutions from that carea (the Bank of Slovenia and the Police) and exchanged experience. At the start of the year under review, a survey was conducted with the aim to collect information about attacks on banks in the course of 2020.

## Bančni Vestnik

In 2021, 12 issues of the banking journal were published – eight single of which one special issue to mark the journal's jubilee, a traditional international issue and two double issues. Bančni Vestnik celebrated its 70<sup>th</sup> anniversary in 2021. A special issue dedicated to the journal's shining track record was published in May but the activities highlighting the anniversary went on for the entire year. Moreover, a publication with the cover pages of Bančni Vestnik was published to pay a tribute to 25 years of cooperation with Edi Berk, the graphic designer of the journal. The 70<sup>th</sup> anniversary was also a great occasion to bring once again to the readers of Bančni Vestnik a selection of articles published years ago. The publication of the interna-

tional issue of Bančni Vestnik in November was used to display the selected cover pages of the journal, but the restrictions in place due to the COVID-29 pandemic made only an online display possible.

The Editorial Board of Bančni Vestnik drafted the cues for the international issue published on 22 November with the role of banks in the post-pandemic recovery of the economy as the centre stage theme.

In 2021, promotional activities continued with the aim to boost the visibility of the journal both among the members of the Bank Association of Slovenia and external subscribers. The journal is currently delivered to 1,071 subscribers – more than 300 subscribers more than their number before the journal turned to a digital publication.

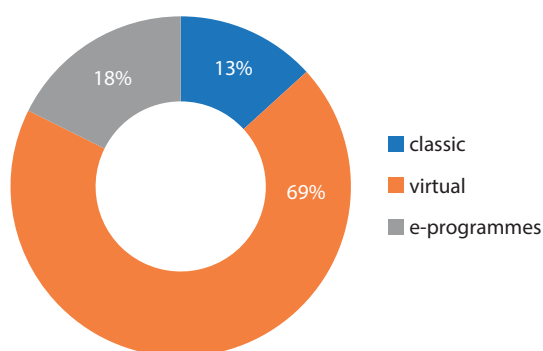
## Training Centre

At the Training Centre of the Bank Association of Slovenia, when planning the activities for the year we pursued the strategic goal of a gradual transition to the web-based carrying out of the training programmes in the field of professional training, as well as in the financial literacy field. Even though we planned seminars and longer forms of training courses as web-based events, gatherings, conferences and workshops as 'live' events in presence, we had to adjust those events to the measures serving to restrict transmission of coronavirus in force at any given moment, without losing sight of the expectations of our members.

If the characteristic of our activity in 2020 was strong interest in and the rising number of attendants of our e- programmes (in particular the prevention of money laundering and terrorist financing and consumer credit for real estate), in the year under review, more interest was shown for 'classical' programmes in presence. The number of participants in 2021 in comparison with a year earlier was higher both in case of schools and seminars. Of the announced and already agreed programmes, we did not hold the Banking conference scheduled for May and a seminar on derivatives and investment services. However, we held seven new programmes and five meetings of professionals more than in 2020. When formulating the

contents of the 2021 training programmes, we paid special attention to the coverage of sustainable finance and regulatory arrangements.

### Execution method 2021



| A. Professional training  | Programmes | Events | Participants 2021 | Participants 2020 |
|---|------------|--------|-------------------|-------------------|
| Conferences   | 15         | 14     | 696               | 568               |
| Seminars, schools, workshops total  | 17         | 26     | 611               | 382               |
| - seminars  | 12         | 12     | 350               | 170               |
| - schools   | 3          | 3      | 86                | 55                |
| - workshops   | 2          | 11     | 175               | 157               |
| E-programmes  | 5          | 5      | 464               | 3346              |
| - Exams   | 5          | 5      | 113               | 117               |
| Total A   | 42         | 50     | 1.884             | 4.413             |
| B. Financial literacy   |            |        |                   |                   |
| European Money Week   | 3          | 4      | 393               | -                 |
| European Money Quiz   | 3          | 4      | 314               | 160               |
| Programme for adults (City Library)   | 1          | 1      | 38                | -                 |
| International awareness-building week on frauds – the programme for schools | 1          | -      | -                 | 73                |
| Total B   | 8          | 9      | 745               | 233               |
| Total A and B   | 50         | 59     | 2.629             | 4.646             |

### **Professional complementary education and training**

As it was also the case over the past few years, the interest for the traditional gathering Day of Slovenian Bankers with the title »The role of banks in the post-pandemic recovery of the economy« was the highest. In terms of the number of participants, the most popular events were the Conference on the prevention of money laundering, the Banking regulation programme, the Conference on risk management, the Expert meeting of members of supervisory boards and management boards, and the Conference on payment services. In the first half of 2021, all events were held as virtual events, while in September and in October, we held four conferences in physical presence and then again had to switch to remote performances, until the end of the year.

#### **a) Meetings, gatherings, conferences of industry specialists**

1. Conference on card operations (January)
2. Conference treasury, back office and depositary services and investment bankers (April)
3. Conference on a regulatory framework for sustainable finance – new (April)
4. Conference of internal auditors (May)
5. Conference of human resource officers (May)
6. Conference on payment services (September)
7. Conference of legal professionals (September)
8. Conference on compliance functions (September)
9. Expert meeting of members of supervisory and management boards of banks and savings banks (October)
10. Conference on managing risks in banks
11. Conference of IT experts in banks (November)
12. Day of Slovenian Bankers (November)
13. Conference of Accountants (November)
14. AML Conference (December)

#### **b) Seminars, schools, workshops**

1. Managing risks in banks (January)
2. Banking School (January, October, November)
3. Financial analysis of corporate entities (January)

4. Sustainable finance: Aspects for Financial institutions – new (February)
5. Payment services (March)
6. Executing client orders (May)
7. Banking regulations (May)
8. Design and management of models in the field of credit risks – new (May)
9. Analysis of plans and cash flows in a company (May)
10. Investment advisory services (May)
11. Financial instruments administration for account of clients (May – June)
12. Management of non-performing exposures – new (June)
13. Exchange operations (September)
14. Fake document identification – new (October)
15. Treatment of climate- and environment-related risks – new (November)
16. Workshops for banknote authenticity and appropriateness (10 events)

c) E-learning

In the year under review, we updated the content of two programmes provided as e-learning: Consumer credit for property purchases in August and GDPR and personal data protection in November. Even though the interest in e-programmes plunged in comparison with 2020 (mostly due to the delays in the long-awaited promulgation of the anti-money laundering law, as well as of the amended law on personal data protection), we expect the number of participants of the e-programmes to rise in the course of 2022 as after 5 years, authorisations for staff working on consumer credit for financing real estate purchases have to be renewed.

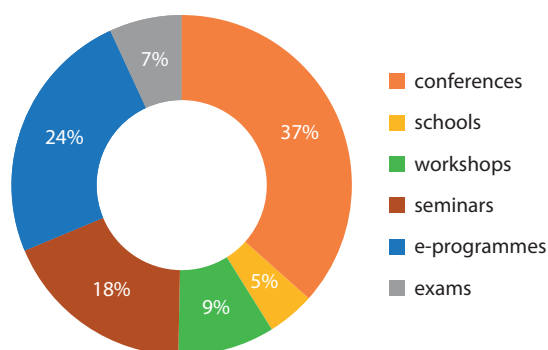
| e-programmes   | No. of<br>participants in<br>2021 | No. of<br>participants in<br>2020 | No. of<br>participants in<br>2019 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| 1. Consumer credit for real-estate purchase -updated | 140                               | 459                               | 522                               |
| 2. GDPR and personal data protection - updated       | 50                                | 77                                | 233                               |
| 3. AML for banks (4 Modules)                         | 231                               | 2615                              | -                                 |
| 4. AML for leasing companies                         | 27                                | 97                                | -                                 |
| 5. DAC 6   | 16                                | 71                                | -                                 |
| Total e-programmes                                   | 464                               | 3346                              | 755                               |

#### d) Conducting examinations

Exams were carried out by different means: web-based, traditionally and as e-tests. The Triple E EFCB exams for the European Banking Certificate »European foundation certificate in banking«, which is also the exam for the Banking School, and the exams for the Payment services course, were performed on the MS Teams link in the Exam.net environment. The exams for stockbrokers, for exchange operations and for determining banknote authenticity and fitness were held in presence in a hall. For e-learning programmes, knowledge testing is integral part of the programme in Campus.

1. Banking School (March)
2. Payment services (March)
3. Workshop: Spotting fake banknotes - banknote authenticity and appropriateness (all year long)
4. Exchange transactions (September)
5. Prevention of money laundering and terrorist financing for banks, 4 Modules (5 events)
6. Prevention of money laundering and terrorist financing for leasing (3 events)
7. GDPR and personal data protection - (5 events)
8. Consumer credit – real estate – (5 events)
9. Examinations for stockbrokers (September):
  - a. Executing brokers
  - b. Investment advisors
  - c. Asset/portfolio managers

### Number of participants



### Financial literacy

Coordination of common activities, preparation and execution of the following programmes:

- a) European Money Week
  - o Days of open doors in the financial sector for pupils of primary schools (22 March)
  - o Days of open doors in the financial sector for students of secondary school (23 March)
  - o Financial literacy in the financial sector (24 March)
  - o Days of open doors in financial sector for students of secondary schools (25 March)
- b) European Money Quiz
  - o Workshops for teachers (February)
  - o National competition (4 March)
  - o European finals (20 April)
- c) Financial literacy in general library (10 February)

As partners of the project International Fraud Awareness Week, we agreed for 16 October in cooperation with the Bank of Slovenia, Consumer Association of Slovenia, European Commission Representation in Slovenia, the new museum of banking Bankarium and Nova KBM a training programme on financial and digital frauds for the talented pupils of the Primary school Rakek, but it had to be cancelled just before



the event due to restrictions imposed due to the coronavirus epidemic and rescheduled for a future date.

| Financial literacy  | Programme | Event    | No. of participants in 2021 | No. of participants in 2020 |
|---|-----------|----------|-----------------------------|-----------------------------|
| European Money Week                                       | 3         | 4        | 393                         | -                           |
| - Programmes for primary schools                          | 1         | 1        | 41                          | -                           |
| - Programmes for secondary schools                        | 1         | 2        | 321                         | -                           |
| - Financial literacy in financial sector                  | 1         | 1        | 31                          | -                           |
| European Money Quiz                                       | 3         | 4        | 314                         | 160                         |
| - Workshops for teachers                                  | 1         | 2        | 20                          | 3                           |
| - National competition                                    | 1         | 1        | 292                         | 155                         |
| - European finals   | 1         | 1        | 2                           | 2                           |
| Programme for adults (City Library)                       | 1         | 1        | 38                          | -                           |
| International Fraud Awareness Week, programme for schools | 1         | -        | -                           | 73                          |
| <b>Total</b>  | <b>8</b>  | <b>9</b> | <b>745</b>                  | <b>233</b>                  |

## Other activities

Participation in the working bodies of the European Banking & Financial Services Training Association (EBTN)

- o meetings of the EBTN members
- o participation in the work of the EBTN Board
- o chairing the EFCB Board
- o participation in work of the Financial Literacy Committee
- o participation in the work of the Sustainable Finance Committee
- Participation in the project group for financial literacy at the European Banking Federation
- Participation in the examination commission for the verification of professional skills for stockbrokers
- Participation in the EFCB examination commission
- Participation in the area committee 'Business and Management' at the Institute of the Republic of Slovenia for Vocational Education and Training.

## Training Committee

In 2021, the Committee tasked with training activities held three meetings. In January, the Committee members addressed the Report on the work of the Training Centre for 2020 and the Plan of work for 2021 and appointed a working group on the preparation of the programme for the gathering of HR officers and educators in May.

At the second meeting held in September, the Committee discussed the initiative of the Supervisory Board to monitor regulations governing the human resource area. The members of the Committee were invited to attend the meetings of the HR forum held on several occasions during the year under review with the highlight on the topical HR-related matters, particularly the legal basis and the members practice in regulating work from home for their employees. Changes and novelties in the field of legislation governing work from home were also the centre stage topic presented by the representative of the Ministry of Labour, Family, Social Affairs and Equal Opportunities at the Conference of HR Officers held on 20 May. The Committee also acknowledged the initiative of the Institute of the Republic of Slovenia for Vocational Education and Training to collaborate on the preparation of the national vocational qualification system in the area of business activities and administration. The Committee members were invited to nominate their candidate for the preparation of input for the banking sector. A member of the examination commission for the EFCB certificate took part in the preparation of the publication.

At the beginning of December, the Committee members examined the Report on the activities carried out by the Training Centre of the Bank Association in the current year, the action plan for 2022 including the tentative schedule of training programmes for the following year. The Committee members were invited to provide information about the interest of their respective institutions to enrol their employees in the training programmes envisaged for 2022 and to propose new content and programmes. The Committee extended the deadline for the submission of proposals to 10 January 2022.

The Committee also discussed the invitation sent by initiative of the Institute for Vocational Education and Training to appoint a representative of the banking sector to the working group on the revision of the vocational standard. Assistant in support to banking operations and proposed to nominate Ms. Ksenija Jaklin from the Training Centre of the Bank Association as a member of the working group.

The members of the Committee also debated the initiative to work out suitable arrangement when a large number of employees are enrolled in e-learning courses and the issue of ensuring access to course attendants to their profile in the event that e-mail address is changed.

At all the Committee meetings the ongoing activities and topical issues in the field of professional functional education and training and financial literacy were on the agenda.

## Leasing

**Visibility:** In connection with the visibility of leasing operations, there were no negative events in 2021 potentially affecting the reputation of the leasing operations. Nevertheless, leasing operations were not identified and recognised in 2021 as a key activity that should have continued as part of consumer financing during the COVID-19 pandemic, as only banks were instructed to provide without any explanation. We voiced justified criticism of such unacceptable discrimination based only on the form of organisation and received no explanation, and in the meantime, the government amended the respective regulation. In connection with acknowledging specific features of the way in which leasing operations are carried out, the turning point arrived within the context of reporting to the central credit register SISBON. After many years of reporting on the leasing operations to the SISBON register, the external auditors of the Bank of Slovenia changed in 2021 the position they had advocated for years without any general warnings only on one concrete case and started to demand that reporting shall be done as if those were banking operations. There were no external adverse consequences to tarnish the image of leasing operations as such, but the leasing companies – members of the Association – suffered moral

and material damage due to the required retroactive corrections and corrections to IT support. Given the circumstances caused by the COVID 19 pandemic, there were no adverse exposures of the leasing companies to consumers. On the contrary, in the October issues of the journal published by the Consumer Association of Slovenia (ZPS), there was an article on pros and cons of financial leasing seen as relatively "neutral" in comparison with those published in over the past years. On the whole, leasing as economic activity was recognised and interesting to be actively monitored by the competent authorities. Nevertheless, daily operations show that it is necessary to foster high visibility in the eyes of all stakeholders from clients to regulators also in the years to come.

**Membership:** A new leasing company took a foothold in the Slovenian market in 2021: Toyota Tsusho Leasing d.o.o. and successful talks started with the newcomer as early as in the phase of its establishment to become involved with the activity of the Leasing Committee of the Bank Association. Toyota Tsusho Leasing applied right away to be included in the alternative dispute resolution scheme at the Bank Association. After being duly entered in the company register, the company applied for membership of the leasing section of the Bank Association, and Toyota Tsusho Leasing will become a full-fledged member in 2022. In addition, in 2021, NLB Leasing d.o.o. terminated its membership of the Bank Association and NLB Lease@GO d.o.o. joined the companies in the Association's leasing section. The talks about Unicredit leasing d.o.o. and Banka Intesa Sanpaolo joining the leasing section of the Association's membership went on but no agreement was reached. Over the past years we saw leasing companies change hands, become part of other banking groups, discontinued operations and so on, resulting in a reduction in the number of members of national associations, as well as the number of national leasing associations members of Leaseurope. We witnessed such trends in the past, but not in 2021. Due to the protracted duration of the COVID 19 pandemic and the resulting tighter conditions for doing business, such trends seem unlikely in immediate future.

**Motor vehicle leasing:** In the field of motor vehicles, the most important activity undertaken in 2021 was launching once again the legislative procedure for amending the Road Traffic Rules Act. The calls for amending leg-

isolation in place were made on many occasions starting back in 2017. The proposed changes mainly aimed to simplify sanctioning of traffic offences on the basis of initiatives and proposals of law enforcement bodies, in particular municipal warden services, and called for direct liability for fines imposed for damage caused by a motor vehicle, as opposed to the current solution where offending users of the leased vehicle are punished. The proposed solutions have proved problematic from the constitutional angle and contrary to the current practice of the Supreme Court of the Republic of Slovenia. Their encroachment on lessors' assets has also been seen as unproportionate and such arrangements would add new unnecessary administrative burden given the fact that leasing means providing a financial service to clients and lessors may not enforce fines on lessees, as opposed to, for example, a transport company as a legal entity, that can make its employees assume responsibility, whereas should such a solution be dismissed, might be a basis for its objective liability. Given the importance of the matter, we have been voicing our concerns regarding the proposed solutions and offering our legally viable, user-friendly proposals but they all have fallen on legislators' deaf ears. Concerning the latest amendments to the Road Traffic Rules Act proposed to the National Assembly, we submitted our legally and substantially well-reasoned amendments to all parliamentary groups and to the service of the National Assembly tasked with for legislation matters. The latter endorsed our positions regarding the constitutional contentiousness of the proposal. Having debated the issue at the relevant committee of the National Assembly regarding the potential contentiousness of the proposed provisions, the proposals did not get the votes of the members of the government coalition parties and situation remains in status quo. As regards other activities, no effort was spared also in 2021 to work out a solution in collaboration with insurance companies to the issue of the so-called insurance policy vinculation. The text of the document regulating transfers of the right to a claim based on insurance for the benefit of a third party – vinculation – was practically agreed and ready for signing and then the issue of minimum limits for each of the required coverages, so-called minimum flexible thresholds emerged where notifying insurance beneficiary based on the vinculation clause would not be necessary. In addition, the concept of its application mutatis mutandis on leasing operations should be elaborated in more detail. Both issues were addressed and agreed pending endorsement by the Slovenian Insurance

Association. At the same time, two insurance companies started testing the solution in practice. At Bankart, the first steps in the same direction were taken in 2021 using the system of the largest insurance undertaking. In connection with the Insurance Distribution Directive (IDD), even before its transposition, insurance distributors that need to apply these provisions in practice encountered problems calling for additional clarifications as to the role of leasing companies in providing insurance coverage (insurer, insured, demands-and-needs test) knowing that in the past, insurance undertaking saw little or no need to work out solutions to the problems leasing companies had to deal with, even though we always managed to reach a solution together with our members. However, the issue of imposing on leasing companies the obligation to take out compulsory car insurance still remains open, but no major issues calling for prompt action were reported in 2021.

**Anti-money laundering and combating the financing of terrorism:** In practice, activities aimed at anti-money laundering and combating the financing of terrorism (AML/CFT) went on smoothly. At the meeting between the new management of the Office for the prevention of money laundering and the representatives of the Bank Association, the new organisational set-up and the new priorities of the Office were presented. The AML/CTF on-line training (*e-PPDFT*) for leasing operations the activity went on for the employees of leasing companies. The government finally sent to the National Assembly in 2021, the long awaited proposal for amending the Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT), that is, the new Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT-2) and we submitted our comments together with the Association's members from the banking sector.

**Personal data protection:** In the field of the implementation of the General Data Protection Regulation (GDPR), we were exchanging information and good practices 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), knowing that even when it comes to day in, day out operations, there were and there are many questions that require answers in connection with the GDPR implementation and its influence on other legislative acts such as, for example changes to the Central Register Act in

relation to which the Information Commissioner issued the opinion seen as 'one size fits all' and disputable about video identification. The new Personal Data Protection Act (ZVOP-2) complete with the proposed (mostly endorsed) amendments is still in the legislative process and once it has been promulgated, our work on its application in practice shall continue.

**Tax and accounting affairs:** The Financial Administration (FURS) issued its opinion in 2014 on contract termination and VAT charged in such cases containing the solutions jointly agreed with us. However, the recent rulings of the European Court of Justice in connection with that issue resulted in a new opinion issued by FURS in July 2021 taking into consideration the most recent ECJ's judgements handed down in similar cases (for example: Unicredit Bulgaria). The opinion issued by FURS on VAT recovery in cases of default and compensations for termination of contracts bearing in mind the ECJ ruling in the case dealing with the VAT exemption for financial services is difficult to read and understand and leaves room for different interpretation in practice, hence we looked into it at several internal meetings and the meetings with external tax advisors. As all those efforts failed to give all the necessary answers, we also organised a meeting with the representatives of FURS and finally managed to get the clarifications on the basis of which we then prepared a paper sent to FURS for endorsement. We are still waiting to hear from them.

Following the judgement of the EU Court of Justice regarding sale-and-leaseback transactions, FURS was again forced to issue new guidelines starting from the factual circumstances and not from the legal situation. What matters is that such transactions are no longer considered as two VAT taxable transactions, and such a approach to the VAT system has opened quite a few dilemmas in practice. By consulting the external tax adviser, we have formulated common positions and sent them to the Financial Administration for endorsement (FURS). We debated in 2021 the reply received from them at several meetings. Given the fact that the members have found the implementation rather complex knowing that the concept of 'leasing' has no unambiguous definition and may be used to describe agreements of a very diverse legal nature, hence FURS is expected to simplify the envisaged procedure. Furthermore, the issue often discussed at our meetings regarded the collision between DFS and VAT and the out-

come of those discussions is that also in that case, we should start from the factual circumstances and not from the legal situation. After many years of debates and draft documents, IFRS 16 – leases was published and last amended in March 2021. It sets out a comprehensive model for the identification of lease arrangements and their treatment in financial statements of lessees and lessors, distinguishing between leases and service contracts. No major problems in connection with IFRS 16 were reported by our members in 2021, despite the scope and scale of changes. The transposition of the Anti-Tax Avoidance Directive into the Corporate Income Tax Act (ZD-DPO-1) would call for intensifying activities in the field of deductibility of interest between associated enterprises and thin capitalisation after the decision taken by the Ministry of Finance to implement those two sections of the Directive at the latest until 1 January 2024 by taking the first steps in 2022. Therefore, we are monitoring the developments in that area signalled by our members. No requests for clarifications were received in 2021 in relation to the promulgation of the new Motor Vehicles Tax Act.

**Reporting to the Bank of Slovenia and statistics:** Prudential reporting went on without any major difficulties. Any and all questions asked on either side are dealt with immediately. The Bank of Slovenia publishes its findings on a quarterly basis under the heading »Monthly report on bank operations« and in the semi-annual »Financial stability report«. In addition, the Bank of Slovenia disseminates data on the basis of quarterly reporting by leasing companies to the Bank Association. Those reports are published with a time lag shorter than announced by the Bank of Slovenia thanks to the ever-higher scope of standardisation of data processing on their side. In 2021, we identified small differences in those categories associated with different reports and asked the Bank of Slovenia for a clarification. The answer was that in different reports additional fields may be captured, hence the differences.

The agreement with the Bank of Slovenia to deliver additional statistical output by categories as requested by Leaseurope produced on the basis of the data contained in mandatory reports sent by leasing companies is running on a regular basis.



**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 (ZF-PPIPP-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. The same position was shared by the National Assembly, but no tangible results are to be expected soon. As the voice of the real sector, we once again raised the issue and sent a letter addressed to the competent ministry. At the 2021 Conference on insolvency legislation in Portorož, we took the floor to point at the absurdity of the current arrangements and regulations by presenting the paper titled »Pacta sunt servanda ?!«.

**Real-estate area:** In 2021, the real-estate area remained side-lined as a non-core segment of leasing operations. 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 those transactions reduce the figures for volumes shown in the statistical reports in addition to winding up of a few leasing companies. Nevertheless, there is a segment of leasing operations still engaged in real-estate operations and with portfolios containing previously acquired properties; therefore, monitoring the real-estate segment of leasing operations continues. We stayed abreast of the developments in that area and, above all, monitored all draft regulations concerning tax on real property as exempting leasing companies from paying such tax had been agreed with the Ministry of Finance in all cases in which the property is the subject of lease financing. We were

proactive participants advocating mass valuation of property when applying for financing. The issues concerning mass valuation and taxing property were not finalised in 2021 after being stuck in the legislative pipeline. No new information regarding property valuation was released in 2021.

**Consumer protection:** The essential issue in the field of consumers financing remained the same also in 2021: Are leasing transactions allowed during the period in which no services could be offered to consumers, save for explicitly permitted exceptions? The responses given by the competent official institutions were negative, but the doubt remained as to whether it should be construed as a prohibition and, even more so, whether the explanation given by the authorities of the necessity to engage in financial activity would withstand a review by the Constitutional Court when such service could be provided by banks, as well as by other financial institutions, but there were no final answers. In connection with the absence of a possibility for the remote identification of a customer in order to obtain access to the SISBON register, even though it can be done for the purposes of the prevention of money laundering and terrorist financing, we exchanged voluminous correspondence with the Bank of Slovenia, Information Commissioner and the Ministry of Finance and supported our arguments by referring to the undisputable German practice in that field. The Ministry of Economic Development and Technology launched public consultation on a new draft of a general law governing consumer protection. The draft law did not contain versions the issues already agreed in the previous versions referring to the leasing operations for financing consumers and their protection in case of material defects in the event that they purchase an article or obtain it under finance lease, so we raised that issue. A year earlier, the European Commission conducted a review of legislation regulating consumer credit arrangements in place in the EU Member States and on the basis of its findings, the EC announced changes to legislation concerning consumer credit in the course of 2021. Changes to consumer credit laws came into effect and we provided to Leaseurope our valuable input in relation to that issue based on our rich experience in the field, given the fact that in other member countries, there is not so much consumer finance through leasing arrangements as in Slovenia.

**SISBON – Central credit register:** As stipulated in the Central Credit Register Act (ZCKR), leasing companies joined the SISBIZ system according to the schedule, thus completing their signing up with the Register reserved for financing of legal entities – SISBIZ. Complications in implementation were to be expected; however, no problems were reported in this regard by the members in 2021. The talks continued with the Bank of Slovenia/SISBON/ZCKR and the Ministry of the Interior and the Ministry of Justice together with banks in the face of opposition from the Information Commissioner, consumer organisations and the Ministry of Economic Development and Technology about automated and rational acquisition of data from the civil (population) register, that is, from the Financial Administration (FURS), expected to curb fraud detected in 2021 and resulting from the absence of cross-referencing data. To that end, we submitted two new amendments to the draft central credit register act in 2020. The first one concerns linking the central credit register with the database of the Financial Administration (FURS), that is, the population register, while the second one resolves the issue of client identification for the purpose of getting access to the credit register according to the rules of video identification in place for the prevention of money laundering and terrorist financing. True as it is that the Bank of Slovenia announced a relaxation of the rules regulating the area in question due to the COVID-19 situation, but then it regulated the matters in its legislative acts in such a way that they cannot be duly applied in practice and pose an unnecessary technical barrier to operations. Knowing that Germany already has in place secure, reasonable and functioning arrangements and it is a country with a well-developed financial industry and our biggest trading partner, we have been arguing that, speaking objectively, the »custom made Slovenian solutions« make no sense.

**Alternative Dispute Resolution – ADR:** In 2021, not a single consumer took legal action against any leasing company.

**International cooperation:** The cooperation at the international level in 2021 mostly involved Leaseurope owing to the Slovenian Presidency of the Council of the European Union and its role in drafting and coordinating EU legislation on a larger scale than over the past few years. We passed on the proposals and comments concerning proposed positions of leasing industry in relation to the drafts of EU legislation received from Leaseurope to

the competent Slovenian ministries. It was all very intensive especially in relation to the new consumer directive and legislative acts where lower risk weights for leasing transactions apply. With Leaseurope we also looked into the problems associated with the implementation of the EU directives by country in connection with consumer credit by providing funding through leasing deals having seen that one and the same directive was implemented differently in different countries: from Denmark where finance leasing is not used, to other countries including Slovenia, where it is practically arranged as consumer credit. Since the draft of a new European directive regulates that area in even more detail, and given the fact that Slovenia presided over the Council of the European Union, we were even more involved with that and other open issues. Also in 2021, there was vivid exchange of practices concerning moratorium, the state of the industry and its perspectives against the backdrop of the COVID 19 pandemic alongside ongoing exchange of practices of the national and supranational anti-monopolistic bodies. As regards the latter, Leaseurope commissioned examination of its operations from that angle and subsequently implemented modified statistical reports. In addition to the communication running with Leaseurope, we kept in touch with some of Leaseurope members (Austria, Italy, Germany) sharing experiences with the transposition of legislation based on the European Directives and the attempts of the Slovenian administration to put in place »higher standards« than envisaged in the European legal bases, which is usually inconvenient for those to whom it applies.

**Leasing days:** The traditional event dedicated to the leasing industry was not held due to the Covid-19 restrictions.

# Members of the Bank Association bank 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 of Slovenia, 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.

## Leasing companies

BKS-Leasing družba za leasing, financiranje in trgovino, d. o. o.  
DBS Leasing, d. o. o.  
DH Leasing, d. o. o.  
GB Leasing, d. o. o.  
NLB Lease&GO, d. o. o., Ljubljana  
RCI Banque, Francija, 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 finančne storitve, d. o. o.

\* As at 31 December 2021.

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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 the Training Centre  
Ksenija Jaklin, Professional Assistant

## Leasing

Boris Bajt, Head of Leasing Office