

Opening remarks by

**Marek Belka, President of NBP, Chairman of the VI Steering Committee
at the Meeting of the Full Forum of the Vienna Initiative**

Warsaw, November 18, 2015

Speaking points prepared for delivery

Ladies and Gentlemen, Dear Colleagues,

I am very glad to welcome you to Warsaw, as a host of the Full Forum of the Vienna Initiative.

This meeting is particular in one sense. It is not only to take stock of what we as an initiative have achieved in the last year, but its aim is also to clearly focus on the future, on setting new goals for our forum of dialogue among International Financial Institutions, national authorities and the private sector.

First, I would like to take stock of our achievements.

So, what have we achieved since our last meeting in 2014?

- We have continued to monitor the deleveraging and credit developments in the region. One of the most interesting observations from this exercise is that there is a healthy deleveraging, when the cross border exposures decrease in line with the stock of f/x loans granted by CESEE banks leading to the decrease of the vulnerability of a country, and a bad deleveraging, when the outflows create vulnerabilities.
- We have led to the signing of the Memorandum of Understanding between the European Banking Authority and the supervisory authorities from the Federation of Bosnia and Herzegovina, the Republic of Srpska, Macedonia, Montenegro, the Republic of Serbia and Albania. This was one of the most visible effects of the works of the Vienna Initiative clearly illustrating benefits of Vienna Initiative as a coordination platform.
- We are in talks with the EBA and ECB about the uniform interpretation of the EU legal norms governing capital relief for guarantees provided by the EIB/EIF. These discussions are planned to be followed by a workshop with the EBA planned for January next year. A number of banks have used the momentum of our study to rethink their group-level approach towards credit guarantees.
- On the NPL work stream: Following the regional conference last year, four workshops have been held on country specific impediments to NPL resolution and restructuring among others in Croatia, Serbia, Hungary and Albania. Conference material has been published on the dedicated webpage, thereby making transparent the impediments and reform plans in each country. We held a further regional workshop in Vienna this June,

and this facilitated a very stimulating exchange of experiences of national policies. We also had a first training seminar in early November, at which about 30 bank professionals from southeastern Europe were instructed in best practices in corporate financial restructuring and NPL resolution. This was supported by a leading professional restructuring firm.

- Each institution has progressed with support to national authorities in the respective countries for which they took on lead responsibility: the World Bank's work in Croatia, the IMF through work on NPL issues under the financial programs in Albania and Serbia, and the EBRD's technical assistance to the Hungarian National Bank on a new insolvency framework and out-of-court restructuring framework.
- We have organized (OeNB and NBP) a macroprudential seminar in Vienna, which brought together the representatives from many Vienna Initiative countries.

Second, I would like to propose priority tasks for the future.

What are we going to do next?

1. We will continue monitoring deleveraging.

But we will have to do something more than just watch. Yesterday we have held a workshop of the public sector on managing bank ownership change in the Western Balkans. This workshop sets a new stream of work for the Vienna Initiative oriented to supporting the authorities and international investors who may be forced or willing to reconsider their strategies regarding the local banking sectors in some of the countries.

2. We will continue talking with the ECB about the Memorandum of Understanding with the non-EU members of the Vienna Initiative to foster the supervisory coordination between the Single Supervisory Mechanism and the host countries that cannot use the EU coordination frameworks.

3. Under the framework of the Vienna Initiative, in order to promote best practices and ways to support the achievement of the Capital Markets Union objectives in the CESEE, the European Commission will foster the Technical Assistance in this area. The Commission will develop the project proposal on the TA and will present it to Member States and potential TA providers. The Member States from CESEE are potentially among the main beneficiaries of the Capital Markets Union. Their authorities are encouraged to start identifying areas where technical assistance could support the implementation of the CMU priorities – the Vienna Initiative may be a good platform for the exchange of views in this area.

4. We will continue on working on unblocking NPLs in most needing economies.

The high level of NPLs drags on banks' capital and lending activity in some members of the Vienna Initiative. The Vienna Initiative will support the NPL work at a

regional level. It was good to see that the key commercial bank groups committed to strengthening restructuring principles, though there is still much need to make this more consistent across the principal subsidiary locations. On the funding side, I think this process should be mainly funded by the private sector in a close cooperation and coordination with the country authorities.

5. **We will encourage the use of credit guarantees, also by securing a clear interpretation of their regulatory treatment for the capital relief.** These discussions are planned to be followed by a workshop with EBA planned for January next year.
6. **We will monitor the functioning of the SSM and future EU regulatory initiatives also with regard to the cross-border effects of the macroprudential policy.** While macroprudential policy should be left in hands of national regulators, macroprudential policymakers should - to possible extent - assess on an ongoing basis the actual cross-border effects of their policies

Let us use the opportunity of today's forum to discuss these ideas.