

Vienna Initiative sets priorities for 2014

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The Steering Committee of the Vienna 2 Initiative met on January 13, 2014 in Vienna to discuss the Initiative's priorities for 2014. At the meeting, hosted and chaired by Raiffeisen Bank International, the following five priorities for the Vienna Initiative were agreed:

Promote an all-inclusive Banking Union, with a special focus on non-EU members in the Southeastern European (SEE) region. Given the Euro area banks' systemic importance in these countries, and with most countries on the path to EU membership already, it is critical that a coordination framework is developed between non-EU member SEE countries and the new European supervisory and resolution authorities. In parallel, the operationalization of the Banking Union, including the Single Supervisory Mechanism, bank resolution, and backstop design, requires continuing attention for the EU non opt-in countries. The Vienna Initiative will actively advise and support this process, acknowledging meanwhile the importance of the speedy completion of the EU Banking Union.

Closely monitor deleveraging and credit trends in the Central, Eastern, and Southeastern European (CESEE) region. Cross-border funding withdrawal, crisis legacy issues such as high non-performing loans (NPLs), and the prospect of tightening financing conditions from unwinding of unconventional monetary policy actions by advanced economy central banks can together present a considerable risk to credit recovery, and therefore growth, in the region. The Steering Committee will continue its close monitoring to spot any systemic risks at an early juncture through the Initiative's flagship products the *Deleveraging and Credit Monitor* and the *Bank Lending Survey*.

Tackle the critical NPL problem in the CESEE countries through a coordinated multi-stakeholder effort. NPL levels in many countries in this region are quite high and still rising. This hinders credit growth and economic recovery. The Initiative will engage banks, regulators and International Financial Institutions (IFIs) to create incentives for jump-starting a speedy and fair NPL resolution in 2014 and design joint country action plans in this area.

Increase credit enhancement and risk mitigation to support new credit in the context of still high risk perception in the CESEE region. A working group has been formed to evaluate existing credit support schemes and to come up with concrete proposals for more effective credit enhancement schemes.

Develop faster local funding sources in CESEE countries. Shifting away from a model dependent on cross-border financing requires greater and fast diversification of funding sources. The development of local currency capital markets is of particular importance. Progress in this area must be accelerated to help credit and recovery and the IFIs participating in the Vienna Initiative can proactively support this process.

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