

FIC: Overview of regulatory measures to speed up further digitalization of Financial Services in Serbia

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Foreign Investors Council

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Background and objective of the document

The objective of the document, created by members of the Foreign Investors Council in cooperation with PwC's FS Strategy & Transformation team and member financial institutions (mainly banks and leasing companies), is to give an overview of all regulatory measures, which could still be implemented in order to enable further digitalization of Financial Services in the country, after few very successful regulatory changes introduced in 2018/19 and resulting new financial products and services made available on digital channels.

Whole analysis and measures discussed take into account that the ongoing pandemic and related social distancing rules put additional pressure on both financial institutions and regulators across the world to shift to digital channels also those activities/operations (primarily client interactions) that are still not enabled on those channels, in a way that is smooth, user friendly and cost effective for their customers.

The document is an output of a set of interviews with members of the Foreign Investors Council, during which all the input was collected and structured within this document. Each initiative is described in detail with outlined benefits for the clients and/or the wider Serbian economy. Initiatives are prioritized into those that are more and less critical for further digitalization. All the initiatives assume 2-3 years long digital roadmap, with the goal that all or almost all financial services will be smoothly and quickly digitally available to the clients.

Executive summary

Throughout previous few years, the National Bank of Serbia (NBS) put an accent on the importance and need of digitalization of financial services. Thus, the NBS had a very active role in changing and implementing regulatory framework in both directions: measures that enable digitalization and improvement of efficiency of internal business processes (mainly in banks) and digitalization of client interactions. Some of these efforts resulted in initiatives that are in line with global scene. For instance, Instant Payment System (IPS) enables transfer of funds in just a few seconds and completely contactless. The IPS has enormous benefits for all parties in payment eco-system, from more and easier options to pay, through financial benefits for merchants, cashflow improvement, etc. On the other side, the NBS enabled individuals to use their electronic signatures for various processes. In combination with introducing remote client identification, the clients were encouraged and enabled to finish some of their needs completely digitally, thus improving the overall customer experience.

To continue this path, through a set of interviews with FIC member financial institutions (i.e. members of the Digital Committee and/or Heads of Digital within FIC member companies), we have structured and prioritized list of initiatives, with the goal that all or almost all services will be smoothly and quickly digitally available to the clients in this period.

Six regulatory initiatives are identified as critical for further digitalization. Two of these initiatives, introducing digital bill of exchange and enabling exchange of data between banks and the Tax Authority / PIO fund, are highlighted as high-priority ones to enable further digitalization of lending processes. When implemented, more clients would be able to get the funding they need completely remotely. Other high-priority initiatives focus on introducing new, alternative (but still secure) remote client identification options (e.g. cloud solution, online validation of ID card with Ministry of Internal Affairs) to allow larger scale implementation across all financial institutions.

Some initiatives also tackle the need for digitalization of public institutions e.g. acceptance of proof of electronic transaction by public institutions, which will unnecessary paperwork and complexity of process for the client.

As a continuation of digitalization journey, number of further regulatory initiatives are identified, foreseen to be implemented on a mid and long term. One of their main objectives is to a) simplify digital lending processes and open them to larger client group (e.g. increasing the amount until which electronic signature is applicable, exchanging of data with Telco operators, etc.) b) simplify digital onboarding process (current account opening) from customer perspective c) introduce new, secure ways to give individuals access to their financial information (i.e. Open banking) and other.

As we have witnessed in recent (and still ongoing) crisis, the importance of accelerating digitalization of financial services (and other industries) is essential and critical. Besides these concrete (visible) regulatory measures, there are certain broader areas, which need to be worked on parallelly:

- Stronger investment into formal education on digital topics (digital literacy), both in regular education through primary, high schools and universities but as well as programs for education of elders and their retraining
- Co-creation (even for legislation) and opening of 'black boxes' would create links between businesses (banks) and clients in both ways. Banks would be able to better capture clients feelings, needs, behaviors and for clients to get more educated and understand basics of financial system. Hackathons could be used as testing environment for new regulation helping easier to find blind spots
- Fostering innovation culture through inclusion of startups. Creation of environment that would make startups easier to test their product at initial phase of development would motivate them to develop ideas in Serbia
- Using regulatory sandbox to allow piloting solution from non-regulated areas in controlled fashion
- and many other.

Overview of key regulatory measures already implemented

Over the last few years, the National Bank of Serbia (NBS) had a very active role in implementing regulatory measures, which enable further digitalization of financial services. Key regulatory initiatives were:

1 Instant payment system (IPS)

Description

The National Bank of Serbia launched the instant payment system (IPS) in October 2018. This system enables payment service providers to execute transactions instantaneously (24/7, 365 days), making the funds available to the recipient almost immediately. By April 2019, all banks have implemented the IPS service. In 2020, instant payment with a QR code was introduced at points of sale (POS) terminals via the "IPS Scan" / "IPS Show" functionality, which the banks implemented in their m-banking applications. This functionality enables buyers to pay at POS terminals via mobile phone using QR code, generated by the seller or by the buyer itself through a mobile application.

Benefits

Unlike payment cards, IPS enables the recipient (e.g. merchant) to receive the funds in just a few seconds and completely contactless (i.e. payments by scanning the QR code). This speeds the sales process and, by bearing lower costs, allows merchants to offer cashless payment option to buyers. Mentioned is highly beneficial for merchants for whom credit card tariffs were discouraging to offer card payments. With a more favorable tariff policy than with cards, the NBS has created conditions for instant payment acceptance costs to be lower for merchants. This motivates small merchants who do not accept payment cards today to enable the use of this innovative method of payment at their POS terminals. From clients' perspective, the sales process is much easier and faster, thus improving the everyday purchase experience.

In addition to introducing the IPS QR code in retail outlets, several businesses have started issuing monthly invoices with the IPS QR code printed (e.g. utility bill for 'Infostan'). Consumers have the option of paying by scanning the IPS QR code, without the need to enter data into a payment order. All this contributes to be one step closer to achieving cashless society and seamless customer experience.

2 Electronic signature

Description

'Law on Electronic Document, Electronic Identification and Trust Services for Electronic Transactions' was introduced in 2017, which, among other things, recognizes use of Electronic and Qualified Electronic Signature (QES). QES is completely equated with a person's physical signature for various procedures and processes, which can be concluded in electronic form by the law.

Benefits

Use of electronic signatures makes contracting between two parties much faster and simpler, whilst reducing amount of paperwork and need for physical presence of the parties. Therefore, main benefit is the possibility for processes to be introduced in digital form. Thus, the processes are more convenient and available in case of any disturbance in offline world, such as in recent pandemics crisis. Additionally, digital processes are eco-friendly, since signing of documents is without printing, storing of documentation is in digital format, and travel for both parties is reduced.

3 Remote client identification

Description

In 2018, new 'Law on Protection of Users of Financial Services in Distant Contracting' was published. This law allows financial institutions to identify new clients remotely i.e. without coming to the branch, even when the first business relationship has not been established. Law prescribes process of remote client identification and signing of contracts amounting up to RSD 600,000 using only 2-factor authentication as consent (no need for qualified electronic signature). Essentially, an operator conducts a video call with the potential client, whereby the operator confirms the identity of the client visually, and verbally by verifying personal information that was previously given during the onboarding process (i.e. personal ID number, parent's name, etc.).

Benefits

Online video identification of clients enables end-to-end (E2E) digital onboarding of new clients, without the need to go to branch. This includes current account opening and contracting of financial services with value up to RSD 600,000. Digitalization of these processes are satisfying one of the most important client needs, when it comes to financial services. The processes are simplified and faster, while being available to the customer from their chosen place and time, thus improving overall customer experience. From organization's perspective digital processes are saving time and related costs, while improving operational stability and reducing errors. Moreover, in case of any disruption in physical world, which also happened recently, there is no disruption in service, nor for the clients nor for the financial institutions in relation to above processes. As mentioned previously, the digital processes are eco-friendly, since signing of documents is without printing, storing of documentation is in digital format, and travel for both parties is reduced.

Overview of additional regulatory initiatives critical for further digitalization

1 Digital bill of exchange

Priority: High

Description

Introducing Digital bill of exchange is the initiative that is already under consideration with the competent state authorities. In Serbia, a bill of exchange is the main mean of securing a bank loan. Currently, it is provided in paper form that needs to be physically signed by the client and submitted in (paper form) to the National registry of bills of exchange in order to be enforceable. The challenge when it comes to the bill of exchange is two-fold; main problem is that the bill has to be submitted to the National registry, which only accepts it in paper form and for this to be done clients have to first sign it in paper form. The fact that the National registry only accepts bill of exchange in paper form represents one of the key obstacles for introducing a Digital bill of exchange which inherently prevents full digitization of the lending process. This initiative suggests digitization of the bill of exchange i.e. use of electronic bill of exchange by enabling submission in electronic form to the National registry, or a waiver of this submission. In this manner a Digital bill of exchange would be equally valid, registered and enforceable as is the physical bill of exchange.

Benefits

A digital bill of exchange would serve as an enabler of an E2E digital lending process. The customer would no longer be required to physically sign the bill in the branch but would, regardless of the amount of loan be able to sign it electronically. Also, looking from the bank side for the sake of simplicity and speed, banks would be able to submit the bill via digital channels to the National registry.

2 Exchange of data between banks and the Tax Authority (top priority) / PIO fund

Priority: High

Description

Different paper-based documents issued by employers or tax authorities confirming employment status of potential client or used for calculation of credit capacity by the banks, are a big restraint for implementation of end-to-end digital lending processes and development of digital products. Initiative includes setting up the infrastructure which would enable exchange of data electronically between banks and Tax Authority (TA) or PIO fund, provided that the client gives consent. Data that would be made available would include information regarding unpaid taxes, salary, social contribution and other information relevant in calculating credit capacity of banks' clients (legal entities and private individuals). Similar open databases can already be found in neighboring

countries e.g. Slovakia and Poland. For implementation of this initiative in Serbia relevant laws regulating banking sector will need to be adapted.

Benefits

Automatic exchange of data will enable banks to collect truthful data about the customer, calculate real credit capacity and prevent frauds.

As a consequence, lending process will be faster, as banks will be able to get information on creditworthiness for their clients faster and thus automate the lending process, enable online lending, improve customer experience etc. It is also important to note that banking to micro clients and entrepreneurs will be smoother and faster, as Tax Authority is usually one of the key sources of financial information for such clients who are not obliged to submit full financial statements. To conclude, funding needs of both private individuals and legal entities will be met through much faster and seamless experience.

Apart from mentioned, recent practice in Serbia shows that there are significant cases of frauds especially when it comes to documents issued by employers. This way, banks will have exact data of clients and be able to estimate more precisely their credit capacity. Additionally, there is a potential for higher tax collection by the State, as this will be one of the main inputs for credit capacity calculation by the banks.

3 Cloud solution for Remote qualified signature

Priority: High

Description

Current solution for Qualified electronic signature is provided on smartcards (or USB), requires specific reading devices and is not convenient to obtain, which leads to a very low penetration of qualified electronic signature usage among private individuals. Another stumbling block that prevents broader usage of this kind of electronic certificate is the fact that people have to go to a Certification body (institution/s responsible for issuance of qualified electronic certificates) and apply in person for a qualified digital certificate needed for QES. Remote qualified signature, suggested by this initiative, can be qualified electronic signature which meets EIDAS regulation, but which is devised as a cloud solution, so that it can be acquired remotely and linked to a single device, i.e. mobile phone making it is easy to use. This way the client would be able to acquire the signature E2E online without having to go to a Certification body at all. This would lead to broader use of digital signature, consequently facilitating collection of necessary private individual's data based on digital consent for different purposes.

The initiative would also include the creation of a national system for preserving the digital identity of citizens in a form of a centralized database. In this way, citizens would be able to electronically sign any contract (equivalent to a handwritten signature), using a mobile application through which citizens would access their electronic signature stored in the cloud.

For example, in Italy, Remote Digital Signature (a cloud solution for digital signature, can be installed on an app and no reader or any other hardware equipment is needed). For implementation of this initiative in Serbia 'Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business' needs to be adapted.

Benefits

Option of creating a digital identity remotely would make it easier and faster for individuals to get their digital certificate. Although qualified electronic signature is in use for a while, in fact only a small fraction of people uses it due to time-consuming process of obtaining the certificate. This initiative would enhance the usage of QES which in turn facilitates numerous banking processes such as lending (even above RSD 600.000), savings account opening, etc. as well as authentication in general.

With Qualified electronic signature citizens would be able to electronically sign any contract (equivalent to a handwritten signature), using a mobile application where they can access their electronic signature stored in the cloud. Thus, current bank's clients and potential clients would not be required to physically visit the bank branches anymore but would perform their operations or onboard completely remotely via digital channels. From banks' perspective, citizens digital identity can enable E2E digital onboarding of banks clients and speed up the account opening process.

4 Remote client identification

Priority: High

Description

Currently, law prescribes specific technical requirements for the use of equipment related to remote client identification i.e. it only recognizes video identification by the organisation's representative as a valid means of remote identification.

In Europe, some countries adopted different software solutions for client identification and made the process fully digital and automated (with human involvement only in case of exceptions). Applications can be used for the identification of citizens based on selfies, and/or using robotics that allows face comparison from selfies and those on the ID card with the functionality of liveness detection.

For example, banks in UK allow the use of selfies as a form of client identification. In Serbia, implementation of this initiative would require adjustment of current law.

Benefits

Potential clients would be able to onboard E2E online, completely on their own as all that is needed is to download a relevant application or take a selfie and, in that way, confirm the client's identity. With this functionality in place, client onboarding process will be smoother and faster than it is at the moment, considering the client will not have to have a conversation with a bank's representative, but can simply scan the identification document and/or take a selfie. Overall, the initiative would contribute to significant improvement of customer experience.s

5 Online validation of ID card with Ministry of Internal Affairs (MUP)

Priority: High

Description

10 **FIC Initiative:** Digitalization of Financial Services



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Initiative assumes a link between the MUP database and financial institutions in a way that enables the financial institution, provided that it has client consent, to check validity of client's ID digitally and automatically.

Benefits

Main benefit of this initiative is smoothness of KYC process, thus allowing for whole customer onboarding process to be more automatized, faster and ultimately with higher client satisfaction. From FI's perspective the onboarding process would be leaner, cost and time efficient, while reducing errors.

6 Acceptance of proof of electronic transaction by public institutions

Priority: High

Description

Banks have the option of providing necessary confirmations/certificates through their e-banking platforms to their customers, however this loses meaning if many government institutions do not accept certificates in electronic form but only in paper form. This initiative would require an agreement with the Ministry of Internal Affairs to address this matter and change the policy regarding acceptance of electronic confirmations/certificates. For instance, for registration of vehicles of legal entities a confirmation of payment as proof is required. Not even a bank statement is accepted (it may be a reference to the wrong number) even though it is a stronger proof than the statement (already executed transaction). To avoid such situations government institutions (Ministry, Customs, etc.) should accept a digitally submitted statement or be given access to the database, in order to eliminate the role of the bank in this process. Similarly, Courts still do business only in paper form; this initiative would require them to switch to doing business digitally and the whole correspondence to be in electronic form. When it comes to other institutions such as the Business Registrations Agency, the initiative is focused on the request for registration of a lien which from bank's perspective is significant in the matter of mortgage loans. Moreover, this initiative would enable a two-way communication between banks and APR - i.e. in account opening process, or transfer of data from banks to APR for founding stake, etc. For implementation of this initiative 'Lien Law' needs to be adapted.

Benefits

Bank clients would not be required to go back and forth from branch to the Ministry (or the relevant government body) to get statements, confirmations of payment and alike, but would be able to acquire and submit all the necessary documentation via digital channels. In this manner business dealings in general would be simplified as all the communication between the parties involved could be done remotely and bypassing intermediaries (banks) where their involvement is not essential. As stated previously, with digitalization of processes (or part of them), the service can continue working in case of any disruption in physical world for all parties involved (which is especially relevant in current pandemic circumstances). Moreover, the digital processes are eco-friendly, since signing of documents is without printing, storing of documentation is in digital format, and travel for all parties is reduced.

Overview of additional regulatory initiatives to be implemented in the mid/long term

1 Increase the limit until which electronic signature is applicable

Priority: Medium

Description

The limit of RSD 600,000 for contracting of financial services that can be approved online with electronic signature should be increased to a higher limit, taking into consideration that, for example, banks approve cash loans even up to RSD 3,000,000.

For implementation of this initiative 'Law on Protection of Financial Services' and 'Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business' need to be adapted.

Benefits

Based on some bank benchmarks, average loan ticket size for consumer loans in Serbia is slightly more than EUR 5,000. Having this in mind, a higher threshold, as suggested by this initiative, will lead to higher use of digital lending considering that clients who require a loan above EUR 5000 in volume will also be able to obtain a cash loan E2E digitally. Not only will this contribute to increasing total number of loans approved via digital channels (benefit from bank side) but will also enable clients who need a larger loan to avoid the burdensome paperwork and branch visits and finalize the whole process remotely. This will also impact contracting of other financial products e.g. deposits.

2 Recognize advanced signature in the work of legal entities

Priority: Medium

Description

When it comes to legal entities in Serbia, laws regulating their work are fairly outdated and majority are not updated in line with the recent trends leading to digitalization. Currently, there is no regulation that recognizes the use of a simple, nor advanced signature for legal entities at all. The issue is regulated by the Law on Protection of Financial Services' Consumers, which, at best affects the work of entrepreneurs, but not legal entities in general. In addition to the previous

initiative (increasing the limit until which electronic signature is applicable), the recognition of an advanced signature in the work of legal entities should also be sought.

For implementation of this initiative 'Law on Protection of Financial Services' Consumers and 'Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business' need to be adapted and/or a new regulatory framework developed.

Benefits

If legal entities were enabled to use electronic signature, they would no longer be required to go physically to the bank to open an account or apply for a loan, which saves them time and improves their overall customer experience. The bank would be able to optimize the onboarding process for potential clients who are legal entities, by doing it completely E2E via digital channels, which contributes to overall resource optimization and improved productivity from bank side. Additionally, this initiative is directly correlated with the previous initiative; if legal entities are given the possibility to apply and obtain a loan E2E online, it would serve as a strong argument for increasing the max amount for distance contracting, given that for this category of clients the current maximum of RSD 600,000 is an insignificant amount.

3 Conclusion of distance insurance contracts without qualified electronic signature

Priority: Medium

Description

At the moment, certain types of insurance (i.e. travel insurance) can be acquired completely online, with the use of electronic signature or OTP (one-time-password). Still, this does not apply to all insurance contracts and vast majority of dealings between insurance companies and their clients require physical signing (traditional handwritten signature) or signing with a qualified electronic signature in accordance with the Law of contract and torts (Article 902, Paragraph 1 requires the signatures of contracting parties). Keeping in mind the aforementioned, the existing solution, stated in the Law on the protection of financial service consumers (Article 3, Paragraph 2 and 3), which allows the use of electronic signature in distance contracting cannot be applied in contracts where the signature of contracting parties is required by Law. For this reason, the initiative proposes an amendment of the Law on the protection of financial service consumers in distance contracting, by adding paragraph 4, which would specify that paragraph 3 - which allows the use of simple electronic signature for contracts with value lower than RSD 600,000, is also applicable in contracts where the signature of contracting parties is required by law.

Benefits

This initiative would firstly help simplify and digitize the process of insurance contracting from the client's perspective. By enabling the use of simple electronic signature, the clients would no longer have to spend time and resources to obtain a QES required for signing an insurance policy in question. In addition to facilitating the process and contributing to customer experience, this

initiative would be beneficial for the insurers as well. All contracting with clients could be done remotely which helps optimize cost and enables better resource utilization.

4 Registry of qualified electronic certificates

Priority: Medium

Description

Certificate issuers do not keep updated records on issued certificates and validation thereof. Consequently, law obligators do not have the possibility to check the validity of the issued certificate (according to law) and identify clients this way. For this reason, a unified registry of qualified electronic certificates in Republic of Serbia where all interested parties can easily and swiftly check if certificate is valid or not is necessary. Access to this database would be given to all the parties who in performing their operations do business with clients (legal entities or private individuals) who use or can use digital certificate as means of identification – this would include banks, Ministry of Finance, APR, and any other relevant institution.

For implementation of this initiative ‘Law on electronic signature’ and ‘Law on electronic document’ need to be adapted.

Benefits

Main benefit of this initiative is the possibility of checking the validity of the digital certificate with complete certainty.

5 Digital operations with state institutions and public sector

Priority: Medium

Description

This initiative would enable legal entities in the Serbian market to operate digitally with state institutions and public sector and among each other by implementing an electronic time stamp. The qualified electronic time stamp and the data to which that time stamp is linked shall enjoy the presumption of the accuracy of the date and the time it indicates and the integrity of the data to which the date and time are bound, (E.g. verification of e-communications between two email servers: verification in time of sending and receiving an e-invoice attached within email between two parties).

For implementation of this initiative ‘Law on electronic document, electronic identification and trust services in electronic business (“Official Gazette of the RS”, No 94/2017), Articles 52.-57’ needs to be adapted.

Benefits

The business dealings would be simplified as all the communication between the parties involved could be done remotely, without the need to physically go to the institutions.

6 Electronic delivery of Authorization for vehicle registration

Priority: Medium

Description

According to the current law regulating the approval and terms of leasing, during the term of the leasing contract, in order to register the vehicle under leasing the lessee must obtain a Special authorization from the leasing company on a yearly basis that enables him/her to hold and use the vehicle in question. This authorization is a document, provided in paper form, that represents a precondition without which the lessee cannot register his/her vehicle with the Ministry of Internal Affairs. There is no option of obtaining the Authorization digitally, meaning the client/lessee is obliged to visit the leasing company in order to acquire the Authorization. When obtaining this document, both the lessee and the leasing company are exposed to additional costs, as well as spending resources and time. Additionally, in practice, there have been registered cases of abuse and/or falsification of this document, which is another downside of the use of paper form instead of an electronic certificate. Taking the aforementioned into consideration, the idea of the initiative is an introduction of digital channels through which the client would be able to request and receive the necessary Authorization from his/her respective leasing house.

Benefits

The concept would allow leasing companies' clients to apply for and obtain the necessary Authorization completely digitally, without physically going to the company which saves them time and resources and contributes to a simpler and faster process of vehicle registration. From leasing companies' perspective, digitalization of this process would result in better resource utilization, as more time would be available for other essential activities. Finally, by digitalizing the process it would be made possible to continue business as usual even in case of any unforeseen disruptions.

7 Exchange of data with Telco operators

Priority: Low

Description

Currently, only banks are submitting data on credit indebtedness and regularity in repayment for users of credit products to the Credit Bureau, while Telco companies do not do that. Still, Telco companies use the services of the Credit Bureau and withdraw reports on relevant parameters when approving credit lines to their clients for the purchase of mobile phones and other devices, based on information provided by banks. This initiative should provide reciprocity in relation to the credit behavior of clients of Telco companies and those who use credit products of financial institutions.

Benefits

Through access to data of Telco operators banks would have better insight into the creditworthiness of their new-to-bank clients since they would have information regarding general indebtedness of their potential clients (in addition to that available from the Credit Bureau).

8 Data on agricultural holdings

Priority: Low

Description

Currently, there are no publicly available information regarding agricultural holdings when it comes to arable land owned / leased, sown structure (i.e. how much wheat, how much corn and alike) and alike. For the time being banks obtain this kind of information from the Treasury upon request for each individual loan, with the client's consent. The idea of the initiative is to find a way how banks and other financial institutions could get access to this information even before a client applies for a loan, because knowing such information would enable banks to offer pre-approvals to loan users and consequently increase competitiveness. For instance, one possibility is to design it as a centralized registry with publicly available data like it is the case with Business Registrations Agency.

Benefits

With this initiative, current and potential agro-business clients would have a wider choice when it comes to choosing a bank for their business taking into consideration more banks would be knowledgeable about the market this type of clients is operating in. Additionally, by having readily available information banks would be able to design offers (i.e. loan pre-approvals) and marketing campaigns for their target customer group.

9 Bank ID for client identification

Priority: Low

Description

Use of digital ID where banks would be carriers of the national scheme BankID. 70% of the population already has accounts and are already identified by their home bank. Initiative includes data exchange between banks for faster KYC e.g. via blockchain technology which would facilitate the process for existing clients who are already in the banking sector (bank ID). This initiative can be solved by introducing a penny transfer as form of identification - when a client opens an account and makes a transfer to an account in a different bank, which proves that he/she has an account in that bank, and those data can be used. With Bank ID remote identification would only be for clients new to the banking sector.

An example of such scheme can already be found in some Scandinavian countries i.e. Sweden, Norway, Finland and Denmark. Banks teamed up and became agents for the identification and issuance of digital certificates. For implementation of this initiative in Serbia new law needs to be introduced, which will allow exchange of data between banks for creation of digital identity.

Benefits

A person that is already a client in one bank and wants to become a client in another would not have to go through identity verification process - in branch nor online, since the bank would be able to acquire his/her information from a centralized base in the banking sector. Moreover, citizens digital identity can enable E2E digital onboarding of banks' clients, easy change of banks and speed up the account opening process. As a result, this will have an impact on improving the overall customer experience.

10 Simplification of obligations related to AML - Identification of clients

Priority: Low

Description

The initiative refers to identification whether the client is politically exposed person (PEP), close relative or closed associate of PEP. The current AML/CTF regulation stipulates that clients need to sign written statement whether he/she is PEP, close relative or closed associate of PEP. Furthermore, if a client is PEP, he/she need to give the written statement on an origin of property which is, or which will be the subject matter of a business relationship or transaction. Initiative proposes use of remote client identification in case of PEP clients where statements would be signed digitally.

For implementation of this initiative 'Law on the Prevention of Money Laundering and Counter Terrorism Financing' needs to be adapted, as well as NBS decision regarding AML (Decision on Guidelines for the Application of the Provisions of the Law on the Prevention of Money Laundering and Terrorism Financing for Obligors Supervised by the National Bank of Serbia).

Benefits

Clients who are a PEP or a close relatives or close associate of a PEP would no longer be required to go to the bank branch, give and sign a written statement, but the whole process could be finalized remotely via a video call with a bank agent which inherently speeds-up and simplifies the onboarding process and improves the overall customer experience.

11 Centralized storage of data from Business Registrations Agency

Priority: Low

Description

Centralized storage of data from Business Registrations Agency would enable access to all the data that banks have to collect in order to use to assess the creditworthiness of companies and individuals (e.g. changes in the APR so that the bank can react: a new representative, opening an account in a new bank and the like, blockade, customs data, etc.). The idea is to make a catalog of available data for legal entities, everything that is individually publicly available to be centralized in a standardized structure. This would be used for reporting, analysis of this data, etc.

Benefits

This initiative would contribute primarily to a faster customer service as the bank would have all the necessary data centralized and readily available, which could in turn, also help in enabling online onboarding for legal entities.

12 Availability of data from the Pension and Disability Insurance Fund

Priority: Low

Description

Currently, when it comes to pensioners, the practice of the Pension and Disability Insurance Fund is that the Fund, based on the client's request, transfers the client's account and pension to a different bank only after they have received a confirmation in paper form from the previous bank that the client has no other debts pending. The idea of the initiative is to allow electronic exchange of confirmation between banks, without the need for physical collection of the document by the pensioner.

Benefits

Pensioners would no longer be required to go back and forth between banks and the Pension fund, and all the required documentation could be exchanged online as the institutions would have direct channels of communication. The account opening and pension transfer process would be simplified between banks and would disburden the client which contributes to a better customer experience of this specific client segment.

13 Reporting to the regulator

Priority: Low

Description

Currently, banks, especially those that are a part of a larger banking group, are overwhelmed with numerous, versatile types of reports that have to be prepared and submitted on monthly, quarterly, annual basis (depending on the type of report and relative policies). One of the reports that are obligatory for all banks operating in Serbia are those towards the National Bank of Serbia. This initiative has the ultimate goal of enabling a simplified and faster reporting to the regulator, which would be achieved by digitalizing and automating the overall reporting process. The initial idea is to make a catalog of reports and single out the most demanding ones for which unified data sets and predefined formats would be agreed on. Data would be exchanged via interface.

Benefits

Simplified and faster reporting process towards the National Bank of Serbia.

14 Publishing of regulatory changes plan enabling all/the most of banking services to be performed digitally

Priority: Low

Description

Initiatives and new digitalization endeavors often lack publicity among entities to whom they are directed and whose business they are intended to facilitate.

For this reason it would be recommendable to prepare and publish a plan and timeline of regulatory changes enabling all/the most of banking services (including change of the bank in which an individual has an account) to be performed through digital channels (i.e. without the client visiting the bank office), in order to timely notify all the stakeholders about upcoming changes.

For implementation of this initiative banking regulations, 'Law on electronic document' and other relevant laws need to be adapted.

Benefits

Publishing a plan and a timeline would facilitate alignment of investment plans and digitalization efforts of the banks and other participants. From clients' perspective, they would receive timely notice, education on new banking services and time to get familiar with the offered functionalities.

15 Open banking (PSD2)

Priority: Low

Description

According to the PSD2 directive, the PSD2 regulated third-party 'Payment Initiation Service Providers (PISPs)' which are allowed to initiate payments directly from customer payment accounts so long as they have the customer's consent. Also, a regulated third-party 'Account Information Service Providers (AISPs)' can access customer data (with the customer's consent) to provide an overview of a customer's payment accounts with different banks in one place (e.g. in a mobile app). Open Banking is a secure way to give providers access to your financial information. It opens the way to new products and services that could help customers and small to medium-sized businesses get a better deal. Basically, it would become easier for customers to switch between current account providers and shop around for other products based on price.

This initiative is still a work in progress in the European Union countries.

Benefits

The concept would allow an easy exchange of customer data and product use between banks. Due to this there is an opportunity for further automation of the credit process, the process of account opening (through simplified account switching). Moreover, open banking improves

security and transparency, and makes it easier for banks to leverage their own data internally — e.g. for service personalization or to create frontend applications — where it may have been impractical, or even impossible, to do so previously.

16 Exchange of data between the Ministry of Internal Affairs and the Parking service

Priority: Low

Description

The current practice shows that drivers whose vehicles are on the warrant of the Ministry of Internal Affairs, or whose registration has expired, drive unhindered without authorization, until they are stopped by the police for a regular control. At this time a detailed check is done which shows if the vehicle is on a warrant (relevant for leasing companies) and if it should be confiscated from the debtor, however this kind of situations is more of an exception than a rule. Having this in mind, the main purpose of this initiative is to prevent, or at least lower the frequency of such situations where a vehicle is used without authorization. The idea is to introduce a direct link between the Ministry of Interior and the Parking service in a way that would enable parking service workers, while performing their activity (issuing an additional ticket or parking ticket), to access the Ministry's database and see if a specific vehicle is on a warrant or if its registration has expired. Either of the two being the case, parking service workers could call the Ministry's representatives and tow the vehicle to the respective police station or tow yard until the dispute is resolved and the debt settled.

Additionally, collaboration with the communal police, which uses a new method of recording traffic violations and illegal parking, could significantly contribute to faster and more efficient finding of disputable leasing vehicles. Vehicle records through motorway toll stations could also help solve this problem.

Benefits

By linking (primarily) the Parking Service system with that of the Ministry of the Interior would significantly contribute to legal security, because solving this problem would add to the protection of property, increase of legal security and general security, which, in addition to the general social significance, is also important for the business of leasing companies and insurance companies.

17 Issuing MTPL policies without (pre-printed) paper (forms)

Priority: Low

Description

Motor liability insurance policy (MTPL) is an obligatory document in the vehicle registration process. This policy provides protection in the event of incurring damages to a third party while the client uses its vehicle. Currently, MTPL policies have to be available in a pre-printed paper form printed only on a specific type of printer, which leads to an increased distribution cost and requires a completely different logic in acquisition of printers. Having this in mind, the initiative suggests a

creation of a direct link through which the Ministry of Internal Affairs could check in UOS database if a certain vehicle is insured. Alternatives to this solution would be that the regulation governing the vehicle registration process allows the insurance companies to print MTPL policies in the same way as other lines of business, or to consider the possibility excluding the signing of pre-contractual information for MTPL as obligatory type of insurance.

Benefits

This initiative's primary benefit is from the insurance companies' perspective, as the printers currently necessary for MTPL policies contribute to higher costs, omitting them would inherently lead to cost optimization. Additionally, looking from the client's perspective, should MTPL policies be excluded from the vehicle registration process it would simplify the process, as there would be one less document that needs to be acquired and signed.

