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Capital markets development requires long-term players

What are the main areas of improvement and future development objectives of capital markets in the CEE region?

When it comes to local bond markets, we have seen a shift to local currency issuance by the major sovereigns in the CEE region in recent years. Such a move boosts the depth of local capital markets and strengthens sovereign credit profiles. Moreover, we have seen increasingly long maturity local currency debt issuance, lengthening the duration of government's liabilities. All in all, the above-mentioned trends contribute to the development of a dedicated local and international investor base, a key aspect for developing capital markets and an important business area for leading banks in the region such as RBI.

How are banks such as Raiffeisen contributing to the development of capital markets in the CEE region and are there significant challenges or obstacles?

Capital markets development requires long-term players, such as RBI, who understand the region's economies and spreads best-in-class know-how across markets.

RBI continues to grow as a primary market dealer and now provides direct LCY government bond auction access in 11 government bond markets in the region. Alongside this RBI continues to invest heavily in trading technology to facilitate secondary market making in interest rates, equities and FX. The group also supports corporates and governments in the region hedge risk through a broad cross currency and interest rate derivatives offering. RBI also continues to leverage its capital markets franchise to arrange bond financing for the region's sovereigns and corporates and within this is increasingly active in green bonds too. It goes without saying that RBI is actively working on bringing Western investors in the CEE region.

Do current EU and regional policies support appropriately the development of capital markets in the region?

The EU's Capital Markets Union project is also positive for CEE capital markets development, especially given the CMU also covers ECM, corporate bond issuance and venture capital. For CEE, this means that larger corporates may get easier access to international/offshore financing. In terms of green financing and the European Green Deal (EGD) we also see a lot of potential. However, estimated investment sums for "greening" in CEE far exceed public funds announced to date. In this respect, considerable private sector co-financing will be necessary. Therefore, the EGD could contribute to the development of local

capital markets in the area of long-term and structured financing in CEE. Participation in such a process would certainly be of interest to players like RBI.

What new or additional actions may be needed?

Three areas are important:

- (a) a clear classification system for sustainable economic activities for green finance.
- (b) faster progress in CMU.
- (c) an inclusive framework for non-euro area EU capital markets.

The fact that the euro area is largely limited to Western EU members suggests that the ECB monetary policymaking shall not be instrumentalised for the EGD implementation. Such a move would possibly fuel further scepticism among EU members in CEE towards the EGD. It goes without saying that having strong private pensions systems would support local Capital Markets development and ensure a steady stream of new equity and debt finance for domestic economies. ●