

## Formal notification of intended decision on the Other Systemically Important Institutions (O-SIIs) - Slovenia

Notifying national authority																				
1.1	Name of the notifying authority.	Banka Slovenije																		
1.2	Name of the macroprudential measure that is notified.	Capital buffer for Other Systemically Important Institutions (O-SII buffer).																		
1.3	Date when the decision referred to in Article 5 of the SSMR shall be taken.	The list of Other Systemically important Institutions (O-SIIs) has been adopted and introduction of the O-SII buffer has been decided by the Governing Board decision at its meeting on 8 December 2015.																		
Description of the measure																				
2.1	Please provide a detailed description of the measure, including calibration and the main parameters.	<p>Identification of O-SIIs &amp; calibration of the capital buffers for the identified O-SIIs.</p> <p>The identification process has followed the mandatory indicators set out in the EBA's Guidelines (EBA/GL/2014/10). The ten obligatory indicators from four different categories have been computed and aggregated following these guidelines for all the institutions operating in Slovenia (including branches). In the cases in which the FINREP variables were not available, the closest variables available at Bank of Slovenia have been used.</p> <p>Following banks were identified as O-SIIs and buffer rates as presented in the table will apply to them. Banks are requested to meet the buffer requirement from 1. 1. 2019 onwards.</p> <table border="1"> <thead> <tr> <th>BANK</th> <th>BUFFER RATE</th> </tr> </thead> <tbody> <tr> <td>NLB</td> <td>1.00 %</td> </tr> <tr> <td>SID</td> <td>0.50 %</td> </tr> <tr> <td>Unicredit banka</td> <td>0.50 %</td> </tr> <tr> <td>Abanka</td> <td>0.25 %</td> </tr> <tr> <td>NKBM</td> <td>0.25 %</td> </tr> <tr> <td>SKB</td> <td>0.25 %</td> </tr> <tr> <td>Sberbank</td> <td>0.25 %</td> </tr> <tr> <td>Banka Koper</td> <td>0.25 %</td> </tr> </tbody> </table> <p>Decision on the bucket allocation and buffer rate took into account the scores that the banks achieved when EBA methodology was applied. Additionally, following criteria for setting the bucket size and buffer rates were used:</p>	BANK	BUFFER RATE	NLB	1.00 %	SID	0.50 %	Unicredit banka	0.50 %	Abanka	0.25 %	NKBM	0.25 %	SKB	0.25 %	Sberbank	0.25 %	Banka Koper	0.25 %
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- buckets should not be too narrow
- buckets should have constant width
- banks should not easily move from one bucket to another (in order to assure predictability)
- cyclical effects of structural instruments (as emphasized in the ESRB Handbook and IMF Staff guidance note on macroprudential policy) should be taken into account when determining both, the buffer rate and the phasing-in of the instrument
- comparability of buffer rates across institutions of similar size within the EU should be assured in order to ensure level playing field
- the highest bucket(s) should not be populated in order to incentivize institutions not to increase their systemic importance.

Based on this, following buckets were determined:

SCORE	CAPITAL BUFFER
5250-	2.00 %
4550-5249	1.75 %
3850-4549	1.50 %
3150-3849	1.25 %
2450-3149	1.00 %
1750-2449	0.75 %
1050-1749	0.50 %
350-1049	0.25 %

In the future buffer rates as well as bucket distribution might be subject to changes if significant structural changes in the banking market occur, while individual institutions might be subject to change in the buffer rate if the degree of their systemic importance changes.

2.2 Please specify the legal basis and process of implementation of the measure.

Article 131 of the CRD IV provides for the legal basis in EEA. Transposition to the Slovenian legislation has been carried out through the Banking Act (Zakon o bančništvu; ZBan-2, OJ RS 25/15), especially its Articles 206, 207, 219 and 221.

Regulation on the use of Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs), OJ RS 66/15 provides for the legal basis for the use of EBA methodology for O-SII identification.

		Regulation on O-SII buffer introduction setting up the buckets and applicable buffer rates will be adopted by the Board of the Bank of Slovenia.									
2.3	Please describe in detail which institutions/exposures will be covered by the measure, including whether the measure would be applied at consolidated or solo level and possible exemptions.	<p>The EBA methodology has been applied to compute the scores for all the institutions operating in Slovenia. Bank of Slovenia has decided to maintain the 350 threshold defined by the EBA guidelines. Following these guidelines, eight institutions with scores above 350 basis points have been identified as O-SIIs:</p> <table border="1"> <tr><td>BANK</td></tr> <tr><td>NLB</td></tr> <tr><td>SID</td></tr> <tr><td>Unicredit</td></tr> <tr><td>Abanka</td></tr> <tr><td>NKBM</td></tr> <tr><td>SKB</td></tr> <tr><td>Sberbank</td></tr> <tr><td>Banka Koper</td></tr> </table> <p>The measure will be applied at the highest level of consolidation in Slovenia (dependant on individual bank whether this indicates solo, subconsolidated or consolidated level).</p>	BANK	NLB	SID	Unicredit	Abanka	NKBM	SKB	Sberbank	Banka Koper
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2.4	On what date does the measure come into force?	1 January 2016.									
2.5	Until when will the measure presumably be in place or when would it be reviewed?	The list of O-SIIs and corresponding buffers requirements will be revised at least annually, as required by ZBan-2.									
<b>Reason for the activation of the measure</b>											
3.1	Please give the description of the macroprudential risk in the financial system to be addressed by the proposed macroprudential measure. Please specify the reasons why changes in the intensity of systemic risk could have serious negative consequences for financial stability at national level.	<p>The failure of a systemic institution could have severe negative impact on the financial system and the real economy. Such structural risk is constantly present in the system and has to be mitigated in order to increase the resilience of the financial system.</p> <p>CRD IV framework enables for the use of O-SII buffers from 1.1.2016 on, however the cyclical impact that structural instruments have at the moment of their introduction advocates for a long phase-in period.</p>									

3.2	<p>Please describe the indicators on the basis of which the measure is to be activated. Please provide the data the decision is based on (preferably an Excel-file).</p>	<p>The identification of O-SIIs is carried out following the Guidelines developed by the EBA (EBA/GL/2014/10). In the cases in which the FINREP variables were not available for all institutions, the closest variables available have been used as requested in EBA Guidelines.</p> <p>The threshold of 350 basis points has been used to identify O-SIIs. The score that each bank achieved served to determine relative buffer rates as requested in ZBan-2. Besides that, some additional criteria presented in 2.1 were taken into account when deciding the buffer rate.</p>
3.3	<p>If applying a measure under Article 133 CRD or 458 CRR, please explain why the measures mentioned in Article 133(11)e and Article 458(2)c are not sufficient to adequately address the macroprudential risks identified and why the measure is deemed to be suitable, effective and proportionate to address the situation.</p>	<p>Not applicable.</p>
<b>Impact of the measure</b>		
4.1	<p>Please provide your assessment of the effects of the measure on the domestic banking system, the real economy and financial stability in your country.</p>	<p>The failure of a systemic institution could have severe negative impact on the financial system and the real economy. Such structural risk is constantly present in the system and has to be mitigated by increasing the resilience of the banking system. Eight identified institutions represent 79% of the total assets of the Slovenian banking system. EBA Guidelines based assessment revealed the importance of these institutions for the functioning of the financial system and the real economy. In order to reduce the probability of a malfunctioning of these institutions and their negative impact on the economy, O-SII buffer is being introduced. The buffer will increase the resilience of O-SII and consequently of the whole banking system.</p> <p>Additionally it will reduce funding advantages that systemically important banks enjoy due to the perceived too-big-to-fail status.</p> <p>Lending to non-banking sector (especially to NFCs) remains weak. Lending to the real economy will contribute to the continuation of the economic recovery; therefore excessive capital requirements remain unjustified at the moment. In order to take the cyclical momentum into account and give O-SIIs sufficient time to adapt to the capital buffer without major disruptions in the financial system</p>

		or the real economy, a deferred introduction of the measure was decided.
4.2	Referring to your country's specific characteristics, what is the scope for "leakages" (i.e., circumvention of the measure, leakages to other financial sectors or to non-domestic institutions)?	Some of the banks identified as O-SIIs are subsidiaries of parent institutions from other countries; however all of the banks operate predominantly in Slovenia. Measure will be applied at the highest level of consolidation in Slovenia in order to prevent circumvention. Leakages are therefore not expected.
4.3	Please assess the scope for cross-border spill-overs of the applied measure (including a likely impact on the EU internal market pursuant to Article 133(12) CRD or 458(2) CRR).	Not applicable
4.4	When recognition is not mandatory, please specify whether or not it is intended to ask for recognition of the measure by other Member States and provide the reasons.	Not applicable
4.5	Any other relevant information, including interaction with other measures/policies.	Capital conservation buffer will be introduced from January 2016 on following the CRD IV and ZBan-2 phase-in schedule.  The counter-cyclical capital buffer will be introduced on 1 January 2016.
<b>Miscellaneous</b>		
5.1	Contact person(s) at notifying authority.	Meta Ahtik (Head of Section, Financial Stability and Macroprudential policy department, <a href="mailto:meta.ahtik@bsi.si">meta.ahtik@bsi.si</a> )  Jelena Ćirjaković (Researcher, Financial Stability and Macroprudential policy department, <a href="mailto:jelena.cirjakovic@bsi.si">jelena.cirjakovic@bsi.si</a> )
5.2	Intended date of publication of the measure and information about the communication strategy of the notified measure to the market.	The measure is expected to be published after the Board of the Bank of Slovenia meeting in December and will apply from 1 January 2016.  Regulation on O-SII introduction will be published in Official Journal, banks identified as O-SIIs, their scores and buffers applicable to them will be revealed on the webpage of the Bank of

		<p>Slovenia, as required in EBA Guidelines.</p> <p>Each of the banks identified as O-SII will receive an individual decision about its O-SII status and corresponding buffer rate.</p>
5.3	Any other relevant information.	/