Template for notifying national macroprudential measures not covered by CRR/CRD

Please send this template to

- notifications@esrb.europa.eu when notifying the ESRB;
- macropru.notifications@ecb.europa.eu when notifying the ECB.

Emailing this template to the above-mentioned addresses constitutes an official notification, no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows electronically copying the information.

1. Notifying national authority and scope of the notification		
1.1	Name of the notifying authority.	**Bank of Slovenia.**
1.2	Name of the macroprudential measure that is notified.	**Macroprudential instrument GLTDF (GLTDF - Gross Loans To Deposits Flows Ratio).**
2. Description of the measure		
2.1	Description of the measure.	Provide a detailed description of the measure, including calibration and the main parameters. **The measure taken, eases the existing macroprudential instrument GLTDF, by changing it to macroprudential recommendation .** **The instrument refers to 1) the recommendation for the minimum GLTDF ratio (the Gross Loans To Deposits Flows Ratio) of at least 0% in case of positive annual increase in deposits by non-banking sector, 2) the recommendation for the ratio of liquid assets to short term liabilities with residual maturity up to 30 days, to have the value of at least one and 3) preserving the existing daily reporting of liquidity items.**
2.2	Legal basis and process of implementation of the measure.	Please specify the legal basis and process of implementation of the measure. - **Macro-prudential oversight of the financial system act (ZMbNFS), Article 19** - **Bank of Slovenia Act (ZBS), Articles 13, 29 and 31** - **Conclusion on macro-prudential monitoring of liquidity and funding structure**

Date of template version: 2016-03-01

2.3	Coverage	Which institutions/exposures will be covered by the measure? **All banks that operate in Slovenia.**
2.4	Any other relevant information.	Any other relevant information (e.g. interaction with other measures addressing the same risk). **Not applicable.**
3. Timing		
3.1	Timing of the decision	What is the date of the official decision of the notified measure? **10 October 2017.**
3.2	Timing of the publication	What is the date of publication of the notified measure? **December 2017.**
3.3	Disclosure	Provide information about the communication strategy of the notified measure to the market. **The banks will be informed by the letter accompanied with regulation and instructions for implementation. The general public will be informed via posted information on the website of the Bank of Slovenia.**
3.4	Timing of the application	What is the intended date of activation (i.e. as of which date shall the measure be applicable)? What is the intended timeline for the phase-in of the measure? **1 January 2018.** **No phase-in is envisaged.**
3.5	End date (if applicable)	Until when will the measure presumably be in place? **Not applicable.**
4. Reason for the activation of the measure		

4.1	Description of the macroprudential risk to be addressed.	Describe the macroprudential risk in the financial system to be addressed by the proposed macroprudential measure. **GLTDF was introduced in June 2014 under the macroprudetnial policy intermediate objective to mitigate and prevent excessive maturity mismatch and illiquidity.** **The instrument had three specific objectives: 1) to slow the decline in loan-to-deposit ratio, 2) to help stabilizing funding structure and 3) to reduce systemic liquidity risk.** **The evaluation of the GLTDF indicates that the instrument for the most part achieved the set objectives. The loan-to-deposit ratio stabilized at the level of 78%. Share of deposits by non-banking sector accounts for 70% of banking system total assets. The indicators of structural liquidity (second bucket liquidity ratio, liquid assets to total assets, secondary liquidity ratio) are high and stable. Beneficial developments of key indicators therefore justify further easing of the instrument and the transformation from requirement to non-binding recommendation.** **The argumentation that recommendation is still needed, rests on the awareness, that the second objective, stable funding structure, is not yet fully achieved. Although customer deposits are the banks main funding source, their term structure is very short term. Sight deposits account for 68% of deposits by non-banking sector, or 49% of banking system total assets, more than twice the long-term average. The predominance of sight deposits can contribute to funding instability. Additionally, due to large scope, the coverage of sight deposits with liquid assets is decreasing towards historical low levels. Sole reliance on the LCR (liquidity coverage ratio) requirements and its less restrictive consideration of customer deposits, could lead to extensive release of liquid assets. The excess liquidity buffer amounts to 6.6 billion EUR, which is 18% of the banking system total assets or 16% of annual GDP. The transformation of liquid assets to non-liquid, more risky investments, would further reduce the coverage of sight deposits.** **Preserving the instrument as a non-binding recommendation signals to the credit institutions the need for prudent and gradual release of excess**

		liquidity and assets transformation.
4.2	Description of the indicators on the basis of which the measure is activated.	Describe the indicators on the basis of which the measure is activated. If possible provide the data the decision is based on (preferably an Excel-file). **The key indicators on which the decision is based upon are:** **1) the loan-to-deposit ratio decreased from the pick at 162% at the end of 2008 to bellow 80% at the end of 2015 and has remained stable at the level of around 78% since then.** **2) The share of deposits by non-banking sector to total liabilities reached the lowest point in the last quarter 2008 at the level of 43%. In the following years, there was a steady increase to 72% in August 2017.** **3) Due to banks operating in low interest rate environment and lack of relevant difference in the yield of sight and term deposits, the increase of deposits was primarily because of rising sight deposits. The share of sight deposits to total deposits by non-banking sector increased from 30% in the beginning of 2009 to 68% in August 2017. The share of sight deposit to total liabilities increased in the same period from 14% to 49%.** **4) Average liquid assets to total assets ratio increased from 12.6% in beginning 2009 to 30% in July 2017.** **5) Secondary liquidity to total assets ratio increased from 9.8% at the end 2008 to 19.3% in July 2017.** **6) Second bucket liquidity ratio increased from 74% in October 2013 to 123% in August 2017.** **7) Excess liquidity buffer with respect to 100% LCR requirements amounts to EUR 6.6 bill.** **As presented above key indicators significantly and beneficially changed, however some risks still remain, which confirm the easing instrument requirements while preserving it as recommendation.**

4.3	Effects of the measure.	Provide your assessment of the effects of the measure on the domestic banking system, other parts of the financial system, the real economy and financial stability in your country. **By using the recommendation, for signalling to the credit institutions the need for prudent and gradual release of excess liquidity and assets transformation, and by preserving already established daily reporting and monitoring of banks' liquidity positions, the instrument is contributing to the resilience and stability of the financial system and its sustainable contribution to economic growth.**
5. Cross-border and cross-sector impact of the measure		
5.1	Assessment of cross-border effects and the likely impact on the internal market (Article 133(11)(d) of the CRD IV and Recommendation ESRB/2015/2)	Assessment of the cross-border effects of the implementation of the draft measure. a. Assessment of the spillover channels operating via risk adjustment and regulatory arbitrage. The relevant indicators provided in Chapter 11 of the ESRB Handbook on Operationalising Macro-prudential Policy in the Banking Sector[1] can be used. b. Assessment of: o cross-border effects (leakages and regulatory arbitrage) of the implementation of macroprudential measures in their jurisdiction (inward spillovers); and o cross-border effects on other Member States and on the Single Market of proposed macroprudential measures (outward spillovers). **The instrument is introduced on a solo basis and is valid only for banks in Slovenia; no significant cross-border effects are therefore expected in other Member States or on the single market.**

[1] Available on the ESRB's website at www.esrb.europa.eu.

5.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	Referring to your country's specific characteristics, what is the scope for "leakages and regulatory arbitrage" in your own jurisdiction (i.e., circumvention of the measure/leakages to other parts of the financial sector)? **As the instrument is a non-binding recommendation, no significant effects are expected.**
5.3	Request for reciprocation	Does the authority request the ESRB to issue a recommendation to other Member States to reciprocate the measures? What are the reasons for requesting or not requesting reciprocation? In case of requesting reciprocation, please provide a concise description of the measure to be reciprocated. If the ESRB deems the request for reciprocation justified, the provided description will form the basis of translation into all EU official languages as part of an update of ESRB Recommendation 2015/2 **We do not request the ESRB to issue a recommendation to other Member States to reciprocate the measures.**
6. Miscellaneous		
6.1	Contact person(s) at notifying authority.	**Tomaž Košak**, Director of Financial Stability and Macroprudential Policy Department, tel. 386 1 47 19 591, email: tomaz.kosak@bsi.si **Meta Ahtik**, Head of Section, tel.: +386 1 47 19 650, email: meta.ahtik@bsi.si **Tatjana Šuler Štavt**, Head of Section, tel.: +386 1 47 19 596, email: tatjana.suler@bsi.si
6.2	Any other relevant information.	**Letter: Information on the Bank of Slovenia regulation transforming binding macroprudential instrument GLTDF to non-binding recommendation, Bank of Slovenia's letter on 16 October 2017.**