ESRB
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EUROPEAN CENTRAL BANK
EUROSYSTEM

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

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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 recommendation for household lending *Note: This is an extension and renaming of an existing recommendation for housing loans (description herein below).*
2. Description of the measure		
2.1	Description of the measure.	In 2016, Bank of Slovenia introduced DSTI and LTV recommendations for housing loans. In October 2018, it extended the DSTI recommendation to consumer loans. For consumer loans, also a recommendation on maturity limits was introduced. The expanded recommendation has the following parameters: The highest recommended LTV ratio for housing loans is 80%. The highest recommended DSTI ratio for housing and consumer loans is: (a) for borrowers with monthly income less than or equal to EUR 1,700: 50%; and (b) for borrowers with monthly income exceeding EUR 1,700: 50% for that portion of income up to EUR 1,700 inclusive, and 67% for that portion of income exceeding EUR 1,700. In the event of several borrowers, this provision applies to each borrower separately.

		In the loan approval process (when assessing creditworthiness) it is recommended that banks apply, mutatis mutandis, the limitations on the attachment of a debtor's financial assets set out in the Enforcement and Securing of Claims Act (ZIZ)4 and the Tax Procedure Act (ZDavP-2),5 i.e. earnings that are exempt from attachment and limitations on the attachment of a debtor's financial earnings The highest recommended maturity for consumer loans is 120 months.
2.2	Legal basis and process of implementation of the measure.	The Bank of Slovenia issued the macroprudential recommendation pursuant to Article 19 of the Macroprudential Supervision of the Financial System Act (Official Gazette of the Republic of Slovenia, No. 100/13.
2.3	Coverage	This recommendation is addressed to banks, savings banks, branches of Member State banks and branches of Member state and third-country banks in Slovenia. It applies to new housing and/or consumer loans (depending on the instrument).
2.4	Any other relevant information.	This recommendation is not meant to prevent banks from granting loans with a higher LTV, DSTI or maturities (depending on the instrument) in justified cases, i.e. when other relevant indicators suggest loan repayment. The macroprudential measures is not legally binding. It will facilitate the systematic monitoring of changes in LTV, DSTI and maturity for loans granted to households. Banks must still assess the creditworthiness of the borrower, and are responsible for the risks associated with the newly approved loans. The Bank of Slovenia will regularly assess the compliance with the recommendation via annual surveys

		on the structure of new household credit, regular bank reporting or during regular supervisory activities. If the circumstances on the market change and the systemic risk increases, Bank of Slovenia may tighten the parameters of the recommendation, modify its content, or issue a binding macroprudential measure.
3.	**Timing**	
3.1	Timing of the decision	The Governing Board of the Bank of Slovenia extended the macroprudential recommendation at its 610th meeting held on 22 October 2018.
3.2	Timing of the publication	The extended recommendation was published on the Bank of Slovenia's website on 5 November 2018.
3.3	Disclosure	Banks were informed about the implementation of the measures by post. Measures were made public only after we received all the delivery receipts. Bank of Slovenia issued a press release on its home page and published detailed information about the recommendation on its website.
3.4	Timing of the application	The extended recommendation entered into force with the publication on the Bank of Slovenia website on 5 November 2018. Banks are expected to comply immediately, although the Bank of Slovenia will take into account the time required by individual banks to adapt their information and risk management systems to the new recommendations for consumer loans. The Bank of Slovenia will continue to closely monitor lending to households.
3.5	End date (if applicable)	/
4.	**Reason for the activation of the measure**	

4.1	Description of the macroprudential risk to be addressed.	The intermediate objective of macroprudential measures is to mitigate and prevent excessive credit growth and leverage. The measures are precautionary. Their aim is to prevent the deterioration of credit standards and to improve resilience of banks.
4.2	Description of the indicators on the basis of which the measure is activated.	When extending the recommendation, we used information from regular reporting and some ad-hoc survey data. We paid attention to the growth rate of consumer loan stock. Additionally we closely examined the maturities and amounts of new and existing consumer loans. For some banks, we also obtained the data on DSTI for new consumer loans. In the future, we will closely monitor the LTV, DSTI and maturities for new housing and consumer loans. We will obtain the data using surveys and by expanding regular reporting.
4.3	Effects of the measure.	The purpose of limiting the LTV and DSTI ratios is to ease the effects of the credit cycle and to increase the resilience of financial institutions. A stricter LTV ratio reduces the amplitude of the credit cycle and improves the resilience of the banking system, as potential loss given default is lower. Lower DSTI ratio reduces the probability of default. Maturity limits prevent the circumvention of measures.
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)	Cross-border effects are not expected.

5.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	Potential for regulatory arbitrage and leakages for housing loans is rather small, since banks are their main providers. Potential for regulatory arbitrage and leakages is larger for consumer loans. The Bank of Slovenia will attempt to obtain the data on consumer lending for non-bank originators. This will allow us to be better monitor potential circumventions of macroprudential measures.
5.3	Request for reciprocation	No.
6. Miscellaneous		
6.1	Contact person(s) at notifying authority.	Meta Ahtik, Head of Section tel: +386 1 47 19 350 e-mail: meta.ahtik@bsi.si Miha Pučnik, tel: + 386 1 47 19 588, e-mail: miha.pucnik@bsi.si.
6.2	Any other relevant information.	Please visit the following webpage for more information on the extended macroprudential recommendation and its full text: https://www.bsi.si/en/financial-stability/macroprudential-supervision/macroprudential-instruments/macroprudential-recommendation-for-household-lending.