



Notification template for Article 131 CRD – Other Systemically Important Institutions (O-SII)

Please send this template to

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

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																								
1.1 Name of the notifying authority	Bank of Slovenia																							
2. Description of the measure																								
2.1 Concerned institution or group of institutions	On which institution(s) is the measure applied (name and LEI code)? The following institutions are designated as O-SIIs in Slovenia and are subject to an O-SII buffer:																							
	<table border="1"> <thead> <tr> <th>Institutions</th> <th>Basis</th> <th>LEI code</th> </tr> </thead> <tbody> <tr> <td>NLB</td> <td>Consolidated level</td> <td>5493001BABFV7P27OW30</td> </tr> <tr> <td>SID</td> <td>Consolidated level</td> <td>549300BZ3GKOJ13V6F87</td> </tr> <tr> <td>NKBM</td> <td>Consolidated level</td> <td>549300J0GSZ83GTKBZ89</td> </tr> <tr> <td>Unicredit</td> <td>Sub-consolidated level</td> <td>549300O2UN9JLME31F08</td> </tr> <tr> <td>Abanka</td> <td>Consolidated level</td> <td>549300271OUEJT4RYD30</td> </tr> <tr> <td>SKB</td> <td>Sub-consolidated level</td> <td>549300H7CCQ6BSQBGG72</td> </tr> <tr> <td>Sberbank</td> <td>Individual level</td> <td>529900NQF1UOZPME3N44</td> </tr> </tbody> </table> <p>Is the measure applied on:</p> <ul style="list-style-type: none"> - The highest level of consolidation - A sub-consolidated level - An individual level 	Institutions	Basis	LEI code	NLB	Consolidated level	5493001BABFV7P27OW30	SID	Consolidated level	549300BZ3GKOJ13V6F87	NKBM	Consolidated level	549300J0GSZ83GTKBZ89	Unicredit	Sub-consolidated level	549300O2UN9JLME31F08	Abanka	Consolidated level	549300271OUEJT4RYD30	SKB	Sub-consolidated level	549300H7CCQ6BSQBGG72	Sberbank	Individual level
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2.2 Level of the buffer applied	What is the level of the buffer (in %) applied to the institution(s)?		
	Institutions	Capital buffer	
	NLB	1.00 %	
	SID	0.25 %	
	NKBM	0.25 %	
	Unicredit	0.25 %	
	Abanka	0.25 %	
	SKB	0.25 %	
Sberbank	0.25 %		
2.3 Name of the EU ultimate parent institution	Please provide the name and the LEI code of the EU ultimate parent institution of the group of each of the concerned institutions, in case the EU ultimate parent institution is not the concerned institution itself.		
	Institutions	Parent institutions	LEI code
	Unicredit	UniCredit S.p.a.	549300TRUWO2CD2G5692
	NKBM	Biser Topco S.A R.L.	222100ZXZ9BRGDMKXL75
	SKB	Société générale	O2RNE8IBXP4R0TD8PU41
Sberbank	Sberbank Europe AG	529900IZ8TASAYR3A694	
2.4 Names of subsidiaries	If any of the concerned institutions is a parent institution and the buffer is applied on a (sub)consolidated level, please name the subsidiaries of the institution that are notified as O-SIIs (please give name and LEI code). Not applicable.		
3. Timing of the measure			
3.1 Timing of the Decision	What is the date of the official decision? <u>For SSM countries when notifying the ECB:</u> provide the date when the decision referred to in Article 5 of the SSMR shall be taken. 27 November 2017.		
3.2 Timing of the Publication	What is the date of publication of the notified measure? By 1 December 2017.		
3.3 Disclosure	Information about the communication strategy of the notified measure to the market. The Bank of Slovenia will publish the list of designated institutions and the applicable O-SII buffer requirement on its website.		
3.4 Timing of Application	What is the intended date of activation (i.e. as of which date shall the measure be applicable)? 1 January 2018, banks are obliged to implement the requirement from 1 January 2019 onwards.		
3.5 Phasing in	What is the intended timeline for the phase-in of the measure? Banks are required to meet the buffer requirement from 1 January 2019 onwards. There are no predefined steps for phasing-in; banks have freedom to adjust to these requirements as long as they meet the given deadline.		
3.6 Review of the measure	When will the measure be reviewed (Article 131(6) and 131(12) specify that the buffer, the identification of O-SIIs and the allocation into subcategories must be reviewed at least annually)? The list of designated institutions as well as the applicable buffer levels will be reviewed on an annual basis (Article 219 of the Banking Act (ZBan-2))		

valid as of 13 May 2015.)

4. Reason for O-SII identification and activation of the O-SII buffer

4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)

Please list here the name, overall scores, category scores, and indicator values of the identified O-SIIs related to

- size;
- importance for the economy of the relevant Member State or the Union, capturing substitutability/financial institution infrastructure;
- complexity, including the additional complexities from cross-border activity;
- interconnectedness of the institution or (sub-)group with the financial system.

Institutions	Total	Size
NLB	3071	738
SID	1183	149
NKBM	951	294
Unicredit	710	154
Abanka	659	221
SKB	600	184
Sberbank	535	111

When notifying the ECB or EBA, please provide relevant information (methodology, calculations and formulas, data sources, information set used for denominators) in a separate Excel file.

Not applicable.

4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)

Please provide information on:

- whether you followed the EBA guidelines on the assessment of O-SIIs
The EBA methodology has been applied to compute the scores for all institutions operating in Slovenia.
- which threshold score has been set to identify O-SIIs
Slovenia has a considerable number of banks, whose share in indicators used to identify O-SIIs (among which the primary factor is the size, measured by assets) is slightly above 350 bps or 3.5%, which is sufficient to rank among O-SIIs. Consequently, 10 institutions (56 % by share of assets) would have been identified as O-SIIs if threshold of 350 basis points was maintained. When EBA was calibrating the measures, it foresaw that 2%-5% of institutions would be assigned the status of O-SII in EEA and in each individual country (please see: EBA GUIDELINES ON THE IDENTIFICATION OF O-SIIs Outcomes of simulation exercise and way forward, Annex to note to SCRePol for details). Consequently, too large number of O-SIIs does not reach the intended goal of the instrument. In addition, Slovenian O-SIIs are small in comparison with O-SIIs in other, especially large countries. Since additional capital requirements pose higher burden on them (if compared with institutions of the same or even higher size from larger countries that do not qualify as O-SIIs), designation of these institutions as O-SIIs violates the principle of level playing field.

	<p>With the aim of identifying a reasonable number of O-SIIs and to ensure comparison of Slovenian banks to their European counterparts that are not determined as O-SIIs, the Bank of Slovenia waived strict application of the EBA Guidelines and has decided to raise threshold defined by the EBA Guidelines from 350 to 500. The raise is, however, slightly above of 425 basis points determined as a maximum by point 9 of the EBA Guidelines.</p> <p>Consequently, the Bank of Slovenia will continue to apply the identification criteria as envisaged by EBA, but will necessarily raise the threshold above which banks are identified as O-SIIs. Additionally, a scale will be adapted to connect the indicator of systemic importance and the level of the buffer.</p> <p>Following these modifications of the EBA guidelines, seven institutions with scores above 500 basis points have been identified as O-SIIs. 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> <p>c. which overall score is attributed to the O-SIIs Information on the overall scores is provided in section 4.1.</p> <p>d. which of the optional indicators have been used to justify supervisory assessment decisions, if any, and what are the scores No additional optional indicators were used in the overall assessment.</p> <p>e. why these optional indicators are relevant for the Member State Not applicable.</p> <p>f. why the bank is systemically important in terms of those particular optional indicators Not applicable.</p> <p>g. whether relevant entities with relative total assets not in excess of 0.02% have been excluded from the identification process No credit institutions have been excluded for the assessment. The identification process covers entire Slovene banking sector. The identification process has followed the mandatory indicators set out in the EBA's Guidelines (EBA/GL/2014/10).</p> <p>h. names and scores of all relevant entities not excluded from the identification process (could be sent in a separate excel file, see 4.1) Not applicable.</p> <p>i. whether non-bank institutions have been included in the calculations No non-bank institutions have been included in the calculations.</p>
<p>4.3 Supervisory judgement</p>	<p>Has any of the institutions listed in 2.1 been identified through supervisory judgement as laid down in EBA guidelines on the assessment of O-SIIs? If yes, please list the respective institutions.</p> <p>No such institution has been identified through supervisory judgement.</p>

<p>4.4 Calibrating the O-SII buffer</p>	<p>Please provide information on the criteria and indicators used to calibrate the level of the O-SII buffer requirement and the mapping to institution-specific buffer requirements.</p> <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> <ul style="list-style-type: none"> - 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 predicatibility), - 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 rate across institutions of similar size within the EU should be assured in order to ensure level of playing field, - the highest buckets should not be populated in order to incentivize institutions not to increase their systematic importance. <p>Based on this, following buckets were determined:</p> <table border="1" data-bbox="560 969 1078 1308"> <thead> <tr> <th>Score</th> <th>Capital buffer</th> </tr> </thead> <tbody> <tr> <td>5400 and higher</td> <td>2.00%</td> </tr> <tr> <td>4700-5399</td> <td>1.75%</td> </tr> <tr> <td>4000-4699</td> <td>1.50%</td> </tr> <tr> <td>3300-3999</td> <td>1.25%</td> </tr> <tr> <td>2600-3299</td> <td>1.00%</td> </tr> <tr> <td>1900-2599</td> <td>0.75%</td> </tr> <tr> <td>1200-1899</td> <td>0.50%</td> </tr> <tr> <td>500-1199</td> <td>0.25%</td> </tr> </tbody> </table> <p>In the future buffer rates as well as bucket distribution might be subject to changes if significant structural changes in the banking sector occur, while individual institutions might be subject to change in the buffer rate if the degree of their systemic importance changes.</p>	Score	Capital buffer	5400 and higher	2.00%	4700-5399	1.75%	4000-4699	1.50%	3300-3999	1.25%	2600-3299	1.00%	1900-2599	0.75%	1200-1899	0.50%	500-1199	0.25%
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<p>4.5 Effectiveness and proportionality of measure</p>	<p>Please provide a justification for why the O-SII buffer is considered likely to be effective and proportionate to mitigate the risk.</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. Seven identified institutions represent 72% of the total assets of the Slovene 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. In order to take the cyclical momentum into account and give O-SIIs sufficient time to adapt to</p>																		

	<p>the capital buffer without major disruptions in the financial system or the real economy, a deferred introduction of the measure was decided.</p>
<p>5. Cross-border and cross-sector impact of the measure</p>	
<p>5.1 Assessment of cross-border effects and the likely impact on the internal market (Recommendation ESRB/2015/2)</p>	<p>Assessment of the cross-border effects of the implementation of the draft measure.</p> <p>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 Sector¹ can be used.</p> <p>b. Assessment of:</p> <ul style="list-style-type: none"> o cross-border effects (leakages and regulatory arbitrage) of the implementation of the measure in your own jurisdiction (inward spillovers); and o cross-border effects on other Member States and on the Single Market of the measure (outward spillovers). <p>Not applicable.</p>
<p>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>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)?</p> <p>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.</p>
<p>6. Combinations and interactions with other measures</p>	
<p>6.1 Combinations between G-SII and O-SII buffers (Article 131.14)</p>	<p>In case both G-SII and O-SII criteria applied to the same institution at the consolidated level, which of the two buffers is the highest?</p> <p>Not applicable, as no bank in Slovenia is subject to both an O-SII and G-SII buffer on a consolidated basis.</p>
<p>6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</p>	<p>Are any of the institutions subject to a systemic risk buffer?</p> <p>No institution is subject to a systemic risk buffer in Slovenia.</p> <p>If yes, please provide the following information:</p> <ul style="list-style-type: none"> a. What is the level of the systemic risk buffer (in %) applied to the concerned institution b. Is the systemic risk buffer applied to all exposures located in your Member State only? c. Is the systemic risk buffer applied at the same consolidation level as the O-SII buffer?

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

	Not applicable.																				
6.3 O-SII requirement for a subsidiary (Article 131.8)	<p>In case the O-SII is a subsidiary of an EU parent institution which is subject to a G-SII or O-SII buffer on a consolidated basis, what is the G-SII or O-SII buffer rate on a consolidated basis of the parent institution?</p> <table border="1"> <thead> <tr> <th>Institutions</th> <th>Parent institutions</th> <th>G-SII buffer of the parent *</th> <th>O-SII buffer of the parent *</th> </tr> </thead> <tbody> <tr> <td>NKBM</td> <td>Biser Topco S.A R.L.</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Unicredit</td> <td>UniCredit S.p.a.</td> <td>1.00 %</td> <td>1.00 %</td> </tr> <tr> <td>SKB</td> <td>Société générale</td> <td>1.00 %</td> <td>1.00 %</td> </tr> <tr> <td>Sberbank</td> <td>Sberbank Europe AG</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table> <p>Note: * G-SII and O-SII buffers applicable after phase-in period.</p>	Institutions	Parent institutions	G-SII buffer of the parent *	O-SII buffer of the parent *	NKBM	Biser Topco S.A R.L.	N/A	N/A	Unicredit	UniCredit S.p.a.	1.00 %	1.00 %	SKB	Société générale	1.00 %	1.00 %	Sberbank	Sberbank Europe AG	N/A	N/A
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Sberbank	Sberbank Europe AG	N/A	N/A																		
6.4 Interaction with other measures	<p>How does the buffer requirement interact with other measures addressing the same risk (e.g. with other supervisory measures)?</p> <p>Identified O-SIIs are also subject to the following macroprudential measures, which further enhance the resilience of the banking system in Slovenia:</p> <ul style="list-style-type: none"> • <u>Countercyclical Capital Buffer (CCyB)</u> - applicable in Slovenia as from 1 January 2016. The purpose of the instrument is to protect the banking system against potential losses insofar as these are related to an increase in risks in the system as a result of excessive growth in lending. • <u>Gross loans to deposits flows (GLTDF)</u> - applicable in Slovenia as from 30 June 2014. The GLTDF instrument aims at slowing down the decline in the loan-to-deposit ratio, stabilizing the banking system funding structure and mitigating systemic risk. • <u>Limits on deposit rates</u> - applicable in Slovenia as from 1 March 2012. The instrument aims at mitigating income risk in the context of an excessive increase in interest rates on deposits by the non-banking sector. • <u>Instruments for the real estate market</u> - applicable in Slovenia as from 30 August 2016. Instruments consist of the recommended maximum level of the LTV (loan-to-value) ratio and the recommended maximum level of the DSTI (debt service-to-income) ratio. 																				

7. Miscellaneous	
7.1 Contact person(s) at notifying authority	<p>Meta Ahtik, Head of Section, tel.: +386 1 47 19 650, email: meta.ahtik@bsi.si</p> <p>Miha Pučnik, Head of Section of Macroprudential Supervision and ESRB, tel.: +386 1 47 19 588, email: miha.pucnik@bsi.si</p>

7.2 Any other relevant information	Not applicable.
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