



**BANKA**  
**SLOVENIJE**

EVROSISTEM

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3 0 Y E A R S



Banka Slovenije is the central bank of Slovenia.

It was established by the Banka Slovenije Act adopted on 25 June 1991.

Banka Slovenije issued payment notes into general circulation as a temporary currency on 8 October 1991, followed by the tolar, Slovenia's first official currency, in September 1992.

Since 1 May 2004, when Slovenia joined the EU, Banka Slovenije has been a member of the European System of Central Banks (ESCB).

Slovenia joined the euro on 1 January 2007, and Banka Slovenije became part of the Eurosystem.

Banka Slovenije is fully independent in carrying out its duties, but at the same time as a public institution it is accountable to the general public and their elected representatives.

### Monetary policy

Banka Slovenije pursues the Eurosystem's fundamental objective of maintaining price stability.

### Macroprudential policy

Banka Slovenije identifies, monitors and assesses systemic risks to financial stability, and puts in place the requisite measures to prevent and mitigate specific risks.

### Bank resolution

Banka Slovenije provides for the orderly resolution of banks in difficulties, minimising the impact on the economy and on the public finances.

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### Microprudential supervision

Banka Slovenije supervises banks and savings banks for the purpose of promptly identifying risks.

## Banka Slovenije's tasks

**Banka Slovenije fulfils its mandate independently and within the framework of the European System of Central Banks, based on four pillars of activity.**

We implement the Eurosystem's common monetary policy. We adopt and implement measures that exert an influence on prices and the availability of money in the economy, thereby pursuing the chosen target of the monetary policy. Our basic objective is price stability, which is also the primary objective of the European System of Central Banks, of which Banka Slovenije is part.

In our macroprudential policy we identify, monitor and assess systemic risks to financial stability, and put in place the requisite measures to prevent and mitigate systemic risks.

We also supervise banks and savings banks for the purpose of promptly identifying risks in all areas of their operations, and taking effective action to ensure the stability of individual institutions, and the banking system as a whole.

We provide for the orderly resolution of banks in serious difficulties, minimising the impact on the economy and on depositors.

**We perform other tasks alongside these fundamental functions.**

We are responsible for ensuring that payment systems and securities settlement systems function smoothly, and conduct inspections of their security and efficiency.

We do everything necessary to ensure that Slovenia is effectively supplied with fit and authentic banknotes and coins. We also exchange tolar banknotes and damaged euro banknotes, and sell commemorative and special-issue coins to collectors and the general public.

It is our responsibility to manage the central national database of the debts of individuals deriving from credit operations (SISBON) and the debts of business entities (SISBIZ).

We also act as the payment and/or fiscal agent of the state and as the representative of the state at international monetary organisations, manage accounts for the state, government bodies and public-sector entities, attend to financial, monetary, banking and balance of payments statistics, and manage the official foreign exchange reserves and other Banka Slovenije assets.



# Monetary policy

Monetary policy relates to central bank decisions that exert an influence on prices and the availability of money in the economy. These decisions play a part in raising the standard of living, and ensuring solid economic growth and high employment.

## How does the central bank maintain price stability?

The Eurosystem's target is to maintain inflation in the euro area close to but below the 2% mark over the medium term. This is usually done by setting the levels of interest rates on loans and deposits offered to commercial banks. Their level affects the interest rates that commercial banks charge their clients for lending and saving.

## What are interest rates?

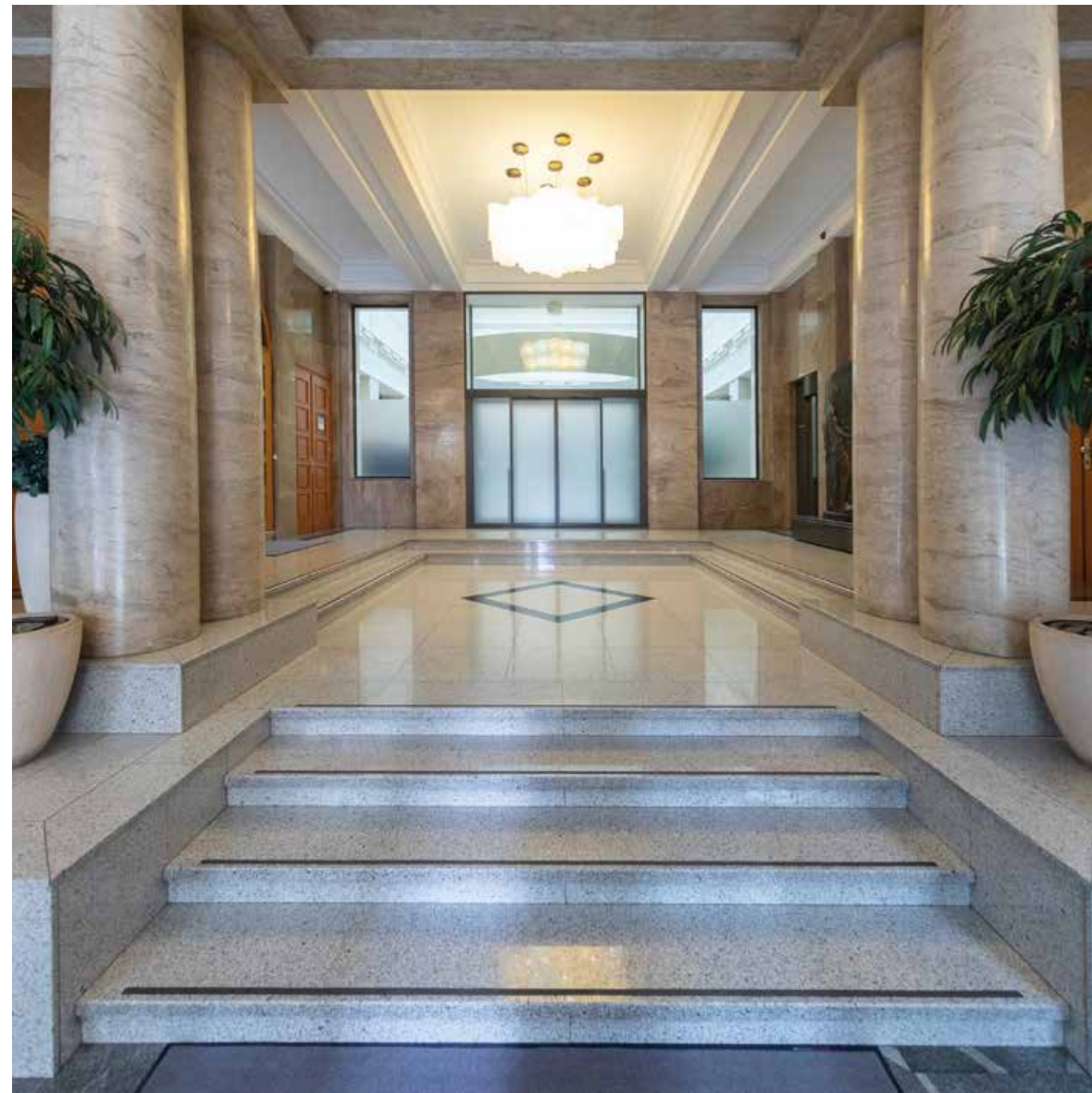
The percentage of extra money someone gets if they lend money to someone else (or keep it in the bank), or the percentage of extra money someone has to pay to borrow money (on top of repaying the loan).

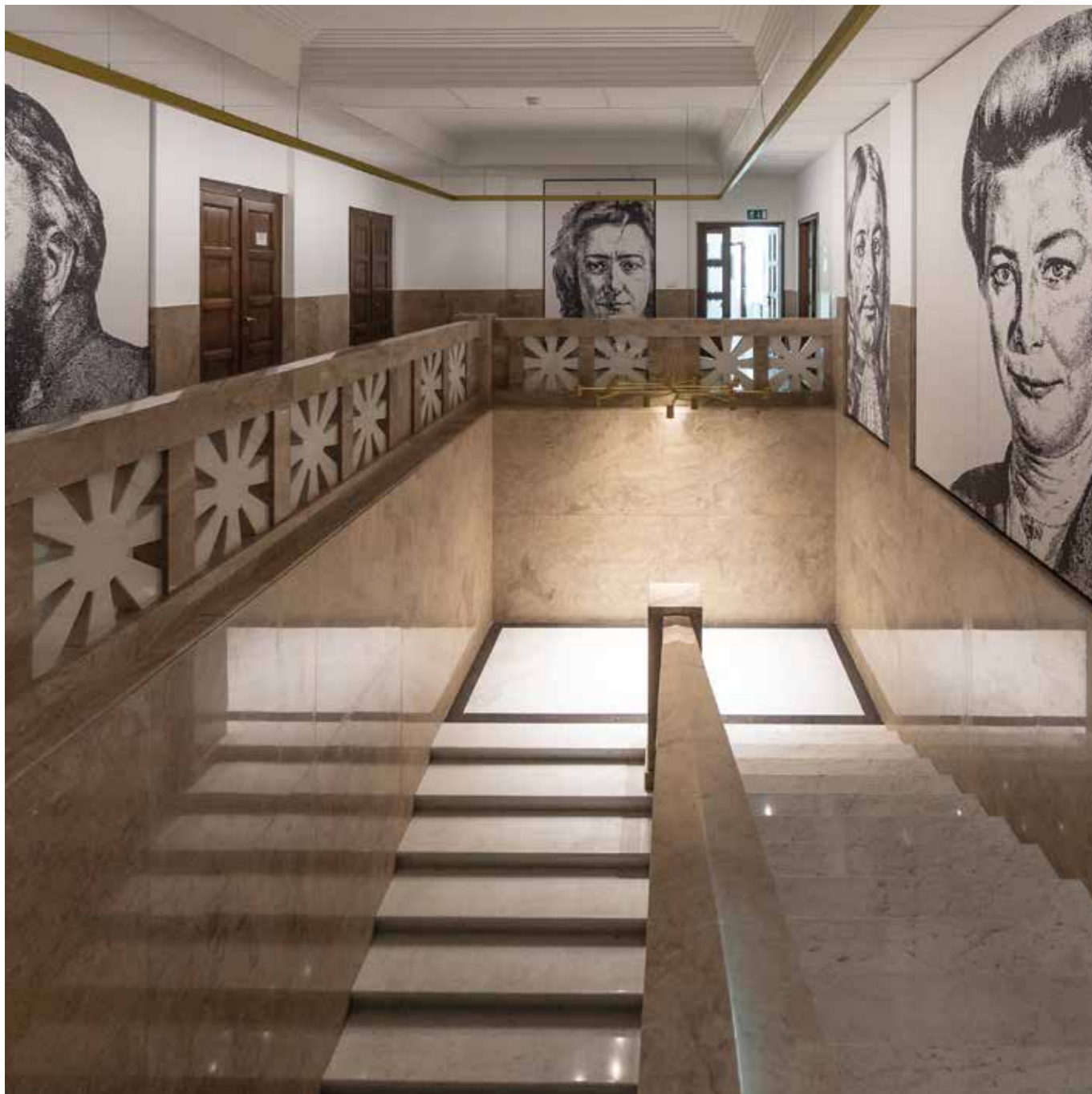
## Why is price stability important?

A vital prerequisite for a healthy economy is that prices neither rise significantly nor fall over the longer term. Sharply rising prices (inflation) or falling prices (deflation) cause uncertainty, and harm the economy. We speak of inflation when there is a general rise in prices of products and services, and not just prices of individual items, over a certain time horizon. Deflation is the opposite of inflation. Why is deflation undesirable? Because consumers put off purchases, on the grounds that products will get cheaper. Businesses thus sell less, and economic activity slows.

## What does price stability mean for members of the public?

When prices are relatively stable, people can make plans without worrying that their money will lose value. In this way they know for example that in a year's time they will be able to buy a product for €100 for which they are saving today.





## Macroprudential policy

Banka Slovenije has a legal obligation to ensure that the citizens of Slovenia have a stable financial system, and this is the principal objective of macroprudential policy. In contrast to microprudential supervision, in which we supervise individual institutions (banks), macroprudential supervision involves monitoring the functioning of the financial system and being alert to potential risks. The right policies and measures can mitigate these risks, and prevent the build-up and transmission of risks across the entire financial system.

### What exactly is the financial system?

It consists of financial markets, financial institutions and infrastructure, which are interconnected in a complex network of business relationships. The system mediates between those who want to save, and those who want to borrow money.

### When is a financial system stable?

We speak of stability when the system is functioning smoothly, and can withstand potential shocks without major adverse effects on the

economy. In practice this means that even if the system suffers a shock (e.g. a financial crisis), we ensure that people are still able to access their bank accounts, businesses can make and receive payments, and investors can trade.

### What are the risks?

Systemic risks can arise in a variety of forms, and threaten the normal functioning of the economy. One such risk is excessive indebtedness on the part of businesses or households. When a general slowdown in the economy comes, and unemployment rises as a consequence, the ability of debtors to repay their loans diminishes. The banks who have financed this borrowing are left with non-performing loans, which debtors are unable to regularly repay, which means that the banks would be exposed to increased credit risk, which could harm their performance and endanger the normal supply of loans to healthy parts of the economy. In this event we might decide on a macroprudential measure to limit the amount that can be borrowed by home buyers relative to the value of the real estate or their income, to cap loan maturities, etc.



# Microprudential supervision

Supervising the banking system is one of Banka Slovenije's key functions. This ensures that banks are on a solid footing, and are reliably managing risk.

Our microprudential supervision is conducted in the form of ongoing supervision, i.e. monitoring and reviewing reports, data and information that the banks are required to submit periodically, and in the form of on-site inspections. Our objective is identifying risks in all areas of the operations of banks and savings banks (credit risk, liquidity risk, operational risk, capital risk, interest rate risk, reputation, AML), and taking effective action to ensure the stability of the banking system and the financial system.

## Which banks do we supervise?

Banks are classed as significant institutions and less significant institutions according to a number of criteria. Banka Slovenije is responsible for independently and directly supervising Slovenia's less significant institutions, and regularly updates the ECB with regard to its findings.

Since the creation of the Single Supervisory Mechanism in 2014, supervision of significant institutions has been conducted by the ECB via its JSTs and in collaboration with Banka Slovenije.

## How do we supervise banks?

This we do through deep-dive inspections of banks, and reviews of the risks that they take up. For example: (i) we conduct tests to examine the behaviour of banks in different circumstances, (ii) we ensure compliance with banking rules and regulations, and (iii) we conduct audits and inspections on site at banks and savings banks. We also ensure that banks are taking appropriate risk management measures. In this way we prevent banks from being run by unfit people, we approve or revoke authorisations to provide banking services, and we impose sanctions as necessary.





## Bank resolution

Banka Slovenije is the national bank resolution authority. Our basic mission in this context is ensuring an orderly resolution from the market for banks in difficulties that can no longer be rescued, and the continuity of functions that are judged to be critical to the economy. The bank's resolution from the market and the continuity of critical functions must be ensured with the minimum of disruption to the economy and the public finances.

The aim in establishing a resolution mechanism is for the burden and cost of the resolution of an individual bank from the market to be borne not by the public finances, but by the banking sector. This reduces the moral hazard, and simultaneously increases confidence in the banking system on the part of depositors and the public at large.

To this end we independently draw up and update resolution plans for all banks under our direct jurisdiction, and participate in the resolution taskforces in creating and updating the plans of international banking groups with a presence in Slovenia.

### **Deposit guarantee scheme**

Banka Slovenije is the operator of the deposit guarantee scheme, whose fundamental objectives are to protect depositors and to maintain their confidence in the banking system. The deposit guarantee scheme ensures access to deposits in the event of a bank having no funds available. Banka Slovenije guarantees the payment of deposits up to €100,000 or uses other measures to maintain depositors' access to deposits in the event of unavailability. The money for the payments is provided from the deposit guarantee fund, *post hoc* emergency contributions by banks, and short-term loans from the government. A sound and effective deposit guarantee scheme is one of the vital conditions for the maintenance of financial stability in a country.

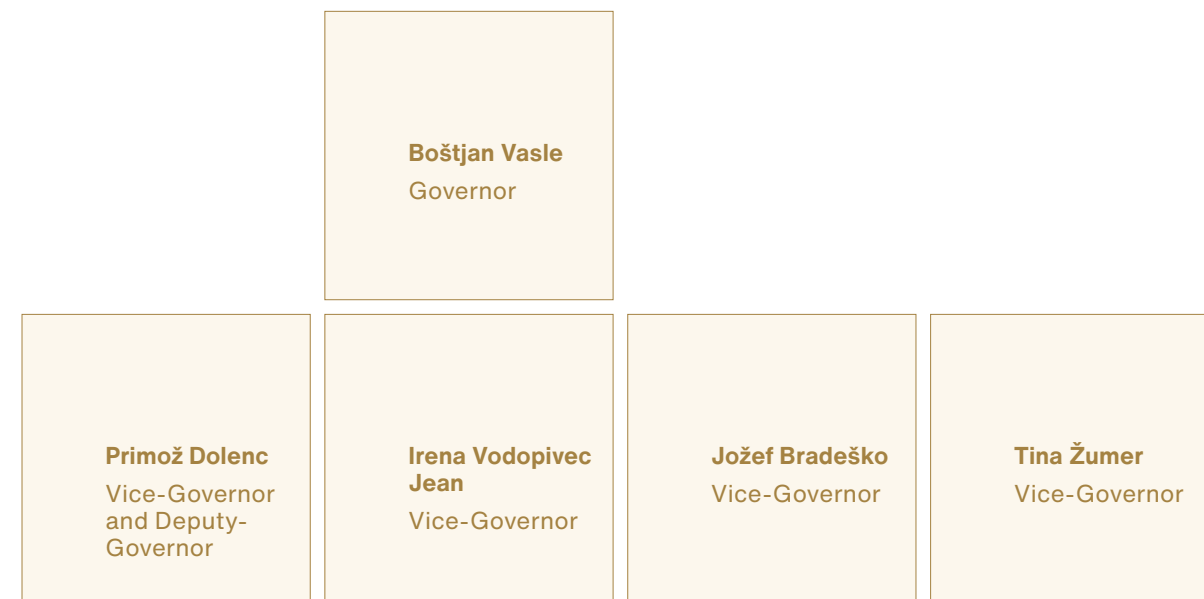
»There are two parts to my job. On the Governing Council of the ECB, I work with the governors of the other central banks to set our monetary policy. And within the Eurosystem we also work to ensure that the larger banks are functioning properly. In this way we ensure stable price growth across the euro area, which numbers approximately 340 million people.

These are also key decisions for Slovenia, where alongside monetary policy we also attend to the stability of the financial system. In this way we make sure that businesses and families are able to finance their everyday costs, and achieve their goals in business and in life.«

**Boštjan Vasle**  
Governor



## Governing Board of Banka Slovenije



Banka Slovenije' principal decision-making bodies are the Governor, and the Governing Board.

The Governing Board comprises five members: the Governor, who chairs the board, and four vice-governors. The members of the Governing Board are appointed by the National Assembly for a period of six years at the proposal of the president.

The Governing Board decides upon matters falling within Banka Slovenije's activities. The Governor is responsible for directing and organising Banka Slovenije's work. He/she also sits on the Governing Council, the ECB's primary decision-making body, which is responsible for taking the strategic decisions that are key to the functioning of the Eurosystem.



460

**Headcount**

Banka Slovenije employs 460 people.

**Gender breakdown**

53% women and 47% men

**Age**

The average age of employees at Banka Slovenije is 44.

**Years of service**

The average total years of service of Banka Slovenije employees is around 19 years.

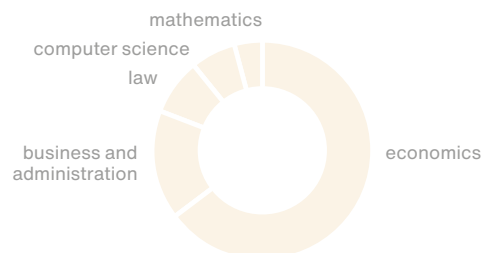


**Qualifications**

Around 20% of the employees at Banka Slovenije hold a Level VIII qualification (doctorate or master's degree in science), while just over half hold a Level VII qualification. The remainder (support staff) hold Level V and VI qualifications.

**Subjects**

Economics: 48%  
 Business and administration: 12%  
 Law: 6%  
 Computer science: 5%  
 Mathematics: 3%



**Analysis and Research**

The major activity that we carry out is drawing up the national macro-economic projections. These are a complex combination of model estimates that depend solely on statistics. Drawing up the projections is always a particular challenge, as it necessary to examine a wide range of data and to consider numerous possibilities for the evolution of events. The core macroeconomic projection is merely the scenario that is most likely at the given moment.

**Banking Operations**

As asset managers we play a major role in ensuring Banka Slovenije's financial independence, as successfully managing almost €4 billion of financial assets helps to cover the cost of its operations.

**Internal Finance and Controlling**

Banka Slovenije has total assets of more than €20 billion, and is thus the largest institution in the country. Our department ensures that some of the central bank's performance surplus goes to fund the state budget; a total of €162 million has been transferred over the last six years.

**Payment and Settlement Systems**

Payment systems and securities settlement systems are an important part of the economic and financial infrastructure, and allow for the transfer of cash and financial instruments between participants in payment and settlement systems. The total value of payments settled in our payment system each year is eight times larger than Slovenia's annual GDP. Central banks actively monitor technological developments, and even as we speak are actively considering the digital money of the future.

**Risk Management**

We are responsible for the highest-level risk management policy, which covers financial and operational risks alike. We also coordinate business continuity activities as part of our operational risk management.

**Resolution**

We manage the deposit guarantee system, which guarantees deposits of up to €100,000 at any bank established in Slovenia in the event of it being unable to repay its deposits.

**Financial Stability and Macroprudential Policy**

We help with economic research at Banka Slovenije. This gives researchers and analysts access to a huge quantity of data, which is priceless for our understanding of the background to economic processes.

44

4

19

100,000

# 90%

## Systemic Supervision and Prudential Regulation

We are the gatekeepers to the banking system: we issue authorisations to provide banking services, we licence members of bank management boards and assess the fitness of members of bank supervisory boards, we monitor developments and we ensure that only fit and proper persons are able to become bank owners.

## Banking Supervision

We conduct supervision of individual banks through various mechanisms, including inspections of banks' business models, their internal governance and risk management, and the risks relating to capital and liquidity. The banking system is evolving all the time: there were 11 banks, three savings banks and two branches of foreign banks operating in Slovenia in 2020.

## Central Credit Register

The data exchange system on individual indebtedness (SISBON) processes data about the debts held by individuals. Almost 90% of the people in Slovenia aged over 14 have entered into at least one credit operation, and these now have to be reported to SISBON.

## Financial Statistics

We collect and process current data and data series relating to Banka Slovenije's activities. There are one billion, three hundred million entries in our tables (1,376,116,513 to be precise), the same as the population of India.

## Cash Management

We ensure that the Slovenian market is supplied with authentic and fit cash, we exchange tolar banknotes and damaged euro banknotes, and we sell commemorative coins to collectors and other members of the public. At the Banka Slovenije counters we exchange an average of 2,270 damaged euro banknotes worth €147,300 each month. We also still accept tolar banknotes and payment notes for conversion into euros.

## Legal

Our tasks cover a very broad spectrum: on one hand we help to draft bylaws and general acts, while on the other we prepare for lawsuits and depositions, and represent Banka Slovenije in court proceedings.

## Compliance Department

We work to ensure that Banka Slovenije and its staff act transparently and impartially in carrying out their duties and pursuing the objectives imposed on them by regulations, while upholding the framework of professional ethics and integrity. Our duties include advising on internal arrangements and processes, and on the drafting of regulations affecting Banka Slovenije's functioning, and checking that staff conduct complies with the Code of Ethics of Banka Slovenije.

## Internal Audit

As internal auditors we help to realise Banka Slovenije's objectives by means of independent, impartial and objective recommendations that aim to raise the performance of individual organisational units and improve risk management. Over 50 recommendations are issued each year on average.

## Organisation and Personnel

We are responsible for carrying out HR policy at Banka Slovenije. It is our job to see that employees upgrade the knowledge and skills that they need to do their jobs.

## Information Technology

We are responsible for the information system and the support that it provides for the bank's business processes, which has proven to be very reliable during contingencies. We are also aware that our own human resources are one of the main strengths in providing reliable IT support.

## General Services

In the technical parts of the business process we provide support for basic infrastructure functions, and play a major role in business continuity and security. We also ensure that employees enjoy fit working conditions, and work to improve energy efficiency in our buildings.

## General Secretariat

We support the functioning of the decision-making bodies and other key working bodies at Banka Slovenije, most notably the Governing Board, the audit committee, the risk committee and the governor's central advisory board.

## Governor's Office

We provide support in carrying out the mandate of the Governor of Banka Slovenije. This mainly entails coordinating his duties and appointments, advising him on technical and organisational matters, attending to protocol and correspondence, and coordinating activities in the organisation of major domestic and international events.

## Public Relations

Through clear, content-filled and effective communications, we work to build a solid relationship with internal and external audiences. In this way we make sure that our message reaches the right audience at the right time. Our transparent communications help to raise Banka Slovenije's profile, and to build its reputation in the domestic and foreign environments.

# 2.270

# 147.300

# 1.376.116.513

# 50

# Additional activities of Banka Slovenije

## Education days

At Banka Slovenije we place great emphasis on financial literacy, as in the last few years there has been a resounding need for the public to be offered a wide range of opportunities to learn about finance. Since 2016 we have organised monthly education days, with a primary focus on younger generations; approximately 900 primary and secondary school students have visited each year. Visitors to our education days learn about the functioning of the central bank, and other more detailed subjects of their own choosing, and can tour our museum, gallery and cashier's desk. Special workshops on cash are also held for our youngest visitors. These activities aim to give the public a better insight into our activities, and an understanding of finance.



## Library

The Banka Slovenije library is home to around 16,000 bibliographic units, primarily in the areas of banking and central banking, finance, economics, legislation and information technology. The library allows



internal and external users to borrow books for home, to borrow materials via interlibrary loans, and to search for materials across various databases.

## Banka Slovenije's cashier's desk



Banka Slovenije's cashier's desk is located at Štefanova ulica 1. There you can replace damaged euro banknotes and coins, and exchange tolar banknotes.

You can also buy numismatic products. Namely, each year we issue sets of Slovenian Euro coins, and commemorative and collector coins marking events and people of national significance.

## Banka Slovenije museum

We opened the Banka Slovenije museum in 2021. The museum is designed for all generations to learn about the work of Banka Slovenije and its place in the Eurosystem.

Some of the displays illustrate how Banka Slovenije conducts supervision, attends to stability and liaises with banks, while there is also a historical overview of the workings of the central bank, and a review of certain milestones in the use of cash. Visitors can also browse audiovisual content, instructive games, interactive material and traditional museum displays to gain insight into how the central bank functions, and how this affects the public and the country as a whole.



## Mala galerija Banke Slovenije

Banka Slovenije also aims to make a contribution to the quality of life in Slovenia by engaging with the art world. Artists are given an exceptional opportunity to exhibit their work in our gallery, which is located in the very heart of the capital.



We have hosted a series of exhibitions in various fields of art (architecture, painting, graphic design, sculpture, etc.), and in so doing have supported young artists and contemporary art.



## History of the Banka Slovenije building



Ljubljanska kreditna banka (LKB) built its five-storey offices between 1920 and 1923, on what is now the corner of Slovenska and Cankarjeva. Given LKB's close links at that time with Živnostenská banka in Prague, the bank building was designed by František Krásný, a Czech architect.

The new building with 219 rooms was built in modernist style, and was one of the most advanced buildings in the city at that time: it had central heating, hot water and its own generators, and also had cargo lifts and personal lifts (paternosters), and a ventilation system. The façade on what is now Slovenska was adorned with a large inscription saying *Ljubljanska kreditna banka*. The display windows were protected against the sun by coloured awning. Trees were planted in beds on the balconies. The surroundings of the building were also decorated with trees.


It was the construction of the LKB building that sparked the modernisation of Ljubljana city centre between the wars. Together with neighbouring financial institutions (banks, savings banks and housing for bank employees), the bank building formed the heart of Ljubljana's financial quarter.

After the liquidation of LKB in 1947, its premises passed into the hands of the National Bank of Yugoslavia, which gradually began to expand into the as-yet unoccupied spaces, including the former premises of Emona, a coffee house, converting them into more banking premises.

After the establishment of Banka Slovenije on 25 June 1991, the institution fully assumed the role of the central bank of independent Slovenia.

Banka Slovenije has worked with the City of Ljubljana and with the Institute for the Protection of the Cultural Heritage of Slovenia to fully renovate the interior and exterior of the building. The Banka Slovenije building is a cultural monument, and is listed in the register of cultural heritage real estate as the Slovenska 35 building.

\*The main entrance to the building is decorated with four Atlas figures, who support the balcony on the first floor. The Atlases were created by Franc Berneker, a Slovenian sculptor. As repeating elements on the façade, they match the architectural style well (this might be written below the picture of the building on the left)



Banka Slovenije  
Slovenska cesta 35  
1505 Ljubljana, Slovenija  
[www.bsi.si](http://www.bsi.si)

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