

**Disclosure of information on supervisory measure of 26 March 2020 imposed on credit institution**

<b>Information on person responsible for breach</b>	
<b>Business name and registered office of legal person</b>	<p>████████████████████</p> <p><i>The identity of the person responsible for the breach is not being disclosed, in accordance with point 3 of the first paragraph of Article 278 of the ZBan-2.</i></p>
<b>Information on breach</b>	
<b>Description of circumstances and conduct entailing breach of ZBan-2 or Regulation (EU) No 575/2013</b>	<p>On the basis of Banka Slovenije request for inspection PBH-24.60-001/19-001 of 20 September 2019 and Banka Slovenije authorisation PBH-24.60-008/19 of 18 September 2019, Banka Slovenije staff conducted an inspection of ██████████ in the area of internal governance, the internal capital adequacy assessment process (hereinafter: ICAAP) and credit risk.</p> <p>In the inspection Banka Slovenije found breaches of the ZBan-2, for which reason it issued an order on the rectification of breaches, against which ██████████ lodged no objection.</p>
<b>Nature of identified breaches</b>	Breaches in the area of internal governance
<b>Operational part of the decision by which the relevant proceedings are completed</b>	
<p>1. ██████████, registration number: ██████████ (hereinafter: ██████████), has breached point 1 of the first paragraph of Article 128 of the ZBan-2 in connection with point 1 of the first paragraph of Article 9 of the Regulation on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks (Official Gazette of the Republic of Slovenia, Nos. 73/15, 49/16, 68/17, 33/18, 81/18 and 45/19; hereinafter: the internal governance regulation), because its management body has failed to put in place stable internal governance arrangements with a clear organisational structure, and consequently the internal relationships between powers and responsibilities are not precisely defined, transparent, consistent and established. ██████████ has failed to bring its bylaws into compliance with the applicable organisational scheme, has failed to put in place adequate segregation of responsibilities, and is failing to carry out activities systematically, which could lead to a failure to uphold the rules preventing conflicts of interest.</p> <p>In accordance with point 1 of the first paragraph of Article 128 of the ZBan-2 in connection with point 1 of the first paragraph of Article 9 of the internal governance regulation, ██████████ must have stable internal governance arrangements that include a clear organisational structure with precisely defined, transparent, consistent and established internal relationships between powers and responsibilities.</p> <p>2. ██████████ has breached the second paragraph of Article 147 of the ZBan-2 in connection with the first paragraph of Article 13 of the internal governance regulation by failing to provide for a sufficient number of qualified employees in the area of internal control functions. Furthermore, ██████████ has breached the first paragraph of Article 14 of the internal governance regulation by failing to ensure that key function holders have suitable replacements and a succession plan defined.</p> <p>In accordance with the second paragraph of Article 147 of the ZBan-2 in connection with the first paragraph of Article 13 of the internal governance regulation, ██████████ must put an appropriate HR policy in place, in part for the purpose of ensuring a sufficient number of qualified employees in the area of internal control functions with regard to its operational needs,</p>	

the scale and complexity of the risks inherent in its business model, and its risk profile.

3. [REDACTED] has breached the second paragraph of Article 147 of the ZBan-2 in connection with the first paragraph of Article 14 of the internal governance regulation by failing to ensure that key function holders have suitable replacements and a succession plan defined.

In accordance with the second paragraph of Article 147 of the ZBan-2 in connection with the first paragraph of Article 14 of the internal governance regulation, [REDACTED] must ensure that key function holders have suitable replacements and a succession plan for the purpose of managing the operational risk inherent in a lengthy absence or the possibility of the unexpected termination of the employment relationship by a key function holder.

4. [REDACTED] has breached the second paragraph of Article 146 of the ZBan-2 in connection with Article 44 of the internal governance regulation because its compliance department fails to provide for the performance of all tasks in connection with the identification and monitoring of compliance risk.

In accordance with the second paragraph of Article 146 of the ZBan-2 in connection with Article 44 of the internal governance regulation, [REDACTED] must ensure that its compliance department performs all tasks in connection with the identification and monitoring of compliance risk.

5. [REDACTED] has breached the second paragraph of Article 148 of the ZBan-2 in connection with the first paragraph of Article 29 of the internal governance regulation by failing to put in place a policy for the use of external contractors for the purpose of managing the risks inherent in outsourcing.

In accordance with the second paragraph of Article 148 of the ZBan-2 in connection with the first paragraph of Article 29 of the internal governance regulation, [REDACTED] must put in place and implement a policy for the use of external contractors for the purpose of managing the risks inherent in outsourcing.

6. [REDACTED] has breached Article 167 of the ZBan-2 in connection with the first paragraph of Article 33 of the internal governance regulation by failing to put in place adequate rules and procedures of internal controls during the development and safeguarding of the security of its information systems and information.

In accordance with Article 167 of the ZBan-2 in connection with point 6 of the first paragraph and point 1 of the seventh paragraph of Article 33 of the internal governance regulation, [REDACTED] must, on the basis of documented rules and procedures, ensure the implementation of internal controls in connection with the development and safeguarding of the security of its information systems and information in the implementation of the information systems development strategy: determination of compliance with business processes, the quality of project planning, the involvement of the requisite personnel, and awareness of the pertinent issue at various management levels. It is primarily a matter of the implementation of internal controls in the area of short-term planning of the development of information systems, in the area of identification and assessment of exposure to IT risks, and in the area of the reporting to the management body.

7. [REDACTED] has breached the second paragraph of Article 148 of the ZBan-2 in connection with the first paragraph of Article 46c of the internal governance regulation by failing to ensure that the information security management function performs all the required tasks in connection with monitoring and conducting controls of information security procedures, including managing the associated risks.

In accordance with the second paragraph of Article 148 of the ZBan-2 in connection with the first paragraph of Article 46c of the internal governance regulation, [REDACTED] must ensure that the information security management function performs all the defined tasks in connection with information security.

8. The management board of [REDACTED] must submit a detailed action plan stating the measures selected to rectify the breaches referred to in points 1 to 6 of this order to Banka Slovenije by 22 July 2020. By 22 July 2020 it must also report the name of the responsible member of the management board and the names of the responsible persons designated in accordance with the internal organisational structure of [REDACTED], or the names of the external contractors of [REDACTED], who will be responsible for implementing individual activities to rectify breaches and for preparing and implementing the plan of measures referred to in this order.

In the action plan the management board of [REDACTED] must set out the timetable and deadlines for the implementation of the individual measures, and must designate the persons responsible for the implementation of specific measures and/or activities in accordance with the internal organisational structure of [REDACTED].

[REDACTED] must provide interim reporting to Banka Slovenije on the rectification of breaches, by 15 October 2020 (as at 30 September 2020).

[REDACTED] must rectify the breaches by 31 December 2020, and must deliver a report to Banka Slovenije by 15 January 2021, enclosing documents and other evidence from which it is evident that the breaches have been rectified.

9. In accordance with Article 277 of the ZBan-2, the following information in connection with this supervisory measure shall be published on the Banka Slovenije website after these proceedings have been completed:
- information on the breach;
  - a description of the circumstances and conduct constituting the breach;
  - the nature of the identified breaches;
  - the operational part of the decision by which the relevant proceedings are completed; and
  - information as to whether judicial review proceedings have been initiated against the decision in accordance with the ZBan-2.

In accordance with the second paragraph of Article 278 of the ZBan-2 in connection with the first paragraph of Article 278 of the ZBan-2, the identity of the person responsible for the breach, i.e. the identity of [REDACTED], shall not be published.

**Information as to whether judicial review proceedings have been initiated against the decision in accordance with the ZBan-2**

No objection was lodged against the order.

**Information on any rectification of breaches or implementation of ordered measures**

[REDACTED] has eliminated the breaches within the set deadline. On 2 March 2021, Banka Slovenije issued a decision stating that the breaches have been remedied.