

Announcement of the Governing Board of the Bank of Slovenia
28 November 2018

Macro-prudential instrument:
CAPITAL BUFFER FOR OTHER SYSTEMICALLY IMPORTANT INSTITUTIONS

Pursuant to a resolution adopted by the Governing Board of the Bank of Slovenia at its 546th meeting of 8 December 2015, the Bank of Slovenia introduced the macro-prudential measure of a capital buffer for other systemically important institutions (hereinafter: O-SIIs). Banks that the Bank of Slovenia has identified as O-SIIs will be required to meet the buffers assigned to them as of 1 January 2019.

The Bank of Slovenia identified O-SIIs pursuant to the Banking Act (the ZBan-2; Official Gazette of the Republic of Slovenia, No. 25/15 and 44/16 – ZRPPB, 77/16-ZCKR and 41/17). It made the identification on the basis of the EBA Guidelines, whose partial application is set out by the Regulation on application of the Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs) (Official Gazette of the Republic of Slovenia, No. 66/15, 68/17). Pursuant to Article 219 of the ZBan-2, the Bank of Slovenia shall verify the fulfilment of O-SII criteria and the appropriateness of O-SII buffer rates at least once a year. The Governing Board of the Bank of Slovenia confirmed the revised values of the systemic importance scores and corresponding buffer rates for O-SIIs at its 612th meeting of 27 November 2018. Final values of the indicator of systemic importance and individual buffer rates will be published after the decisions are served on the banks with changed buffer rates or changed O-SII status.

In the identification process the Bank of Slovenia took full account of the mandatory indicators prescribed by the EBA, which are illustrated in the table below.

Table 1: Mandatory indicators of systemic importance of banks

Category	Weight	Criterion	Weight
Size	25%	Total assets	25.00%
Importance (including sustainability / financial system infrastructure)	25%	Value of domestic payment transactions	8.33 %
		Private sector deposits from depositors in the EU	8.33 %
		Private sector loans to recipients in the EU	8.33 %
Complexity / cross-border activity	25%	Value of OTC derivatives (notional)	8.33 %
		Cross-jurisdictional liabilities	8.33 %
		Cross-jurisdictional claims	8.33 %
Interconnectedness	25%	Intra-financial system liabilities	8.33 %
		Intra-financial system assets	8.33 %
		Debt securities outstanding	8.33 %

Source: EBA Guidelines.

The score was calculated in accordance with the guidance set out in point 8 of the EBA Guidelines:

- (a) by dividing the indicator value of each individual relevant entity by the aggregate amount of the respective indicator values summed across all institutions in the Member State (the “denominators”);
- (b) by multiplying the resulting percentages by 10,000 (to express the indicator scores in terms of basis points);
- (c) by calculating the category score for each relevant entity by taking a simple average of the indicator scores in that category;
- (d) by calculating the overall score for each relevant entity by taking a simple average of its four category scores.

When identifying O-SIIs, the Bank of Slovenia followed the EBA methodology, with the exception of point 9 of the EBA Guidelines, which entrusts the authorities with the possibility to raise the threshold for O-SII identification up to 425 basis points as a maximum. Namely, in 2017 the Bank of Slovenia decided to raise the threshold for the identification of O-SIIs from 350 to 500 basis points and, consequently, to adjust the scale linking the achieved number of points and the buffer rate for the O-SIIs (Article 2 of the Regulation on the determination of the buffer for other systemically important institutions, Official Gazette of the Republic of Slovenia, No. 96/15, 68/17).

The Bank of Slovenia simultaneously set out the buffer for O-SIIs in accordance with Article 221 of the ZBan-2. Banks are required to meet full buffer for O-SIIs as of 1 January 2019. SID Bank was given one-year for the full construction of the buffer - it must be met as of 1 January 2020.

In the definition of the buffer rate the Bank of Slovenia took particular account of the score calculated on the basis of the EBA Guidelines, and additionally took account of the buffer rates defined by other EU Member States. The thresholds for the bands for which a specific buffer rate is defined are set out by the Regulation on the determination of the buffer for other systemically important institutions. They are also illustrated in the table below.

Table 2: Capital buffer rate

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 %

Source: Regulation on the determination of the buffer for other systemically important institutions.

The scores in relation to the indicators of systemic importance and the capital buffer rates as confirmed in 2018 that must be met by banks as of 1 January 2019¹ are illustrated in the table below. Each bank must meet the buffer at the highest level of consolidation in Slovenia, through common equity Tier 1 capital.

¹ The exception being SID banka, d. d., Ljubljana.

Table 3: Scores in assessment of systemic importance and capital buffer rates

	SYSTEMIC IMPORTANCE SCORE (EBA GUIDELINES)	CAPITAL BUFFER RATE AS OF 1 JANUARY 2019 (as proportion of total risk exposure amount)
NLB d. d.	2817	1.00 %
SID banka, d. d., Ljubljana	1575	0.50 %*
Nova KBM d. d.	954	0.25 %
Abanka d. d.	706	0.25 %
SKB d. d.	630	0.25 %
Unicredit banka Slovenija d. d.	611	0.25 %

Source: Bank of Slovenia.

Note: * SID Bank is set for a one-year deadline for building a buffer – as of 1 January 2019 it must meet the buffer of 0.25% and as of 1 January 2020 at a rate of 0.50%.