

BANKA SLOVENIJE

EVROSISTEM

Announcement of the Governing Board of Banka Slovenije
1 December 2021

Macro-prudential instrument:

CAPITAL BUFFER FOR OTHER SYSTEMICALLY IMPORTANT INSTITUTIONS

Pursuant to a resolution adopted by the Governing Board of Banka Slovenije at its 546th meeting of 8 December 2015, Banka Slovenije introduced the macro-prudential measure capital buffer for other systemically important institutions (hereinafter: O-SIIs). The initial phase-in period for banks identified as O-SIIs to meet the capital requirements was set for 1 January 2019.

Pursuant to the Article 242 of Banking Act (Official Gazette of the Republic of Slovenia, No. 92/21 and 123/21 – ZBNIP/ZBan 3) Banka Slovenije at least once a year conducts the O-SII identification process and sets the capital buffers for the identified O-SIIs. The identification process predominately follows the EBA Guidelines, which is regulated 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 and 68/17). In the identification process Banka Slovenije took full account of the mandatory indicators for the scoring provided in the EBA Guidelines, 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.

In the O-SII identification process Banka Slovenije closely follows the methodology outlined in the EBA Guidelines with the exception of paragraph 9, which allows macroprudential authorities to raise the threshold for O-SII identification up to 425 basis points as a maximum. Namely, in 2017 the Banka Slovenije decided to raise the threshold for the identification of O-SIIs from 350 to 500 basis points and, consequently, to adjust the number and buffer floor for each bucket (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 decision on the floor methodology was informed by the systemic relevance scores of the banks gained on the basis on the EBA methodology. Additionally, certain criteria were followed in designing the bucket sizes, floor buffer rates for each bucket and the implementation of the capital requirements (please see table below). These include, but are not limited to equal width of the bucketbuckets; stable O-SII status, cyclical effects of structural instruments, comparability of buffer rate across institutions of similar size within the EU in order to ensure level of playing field, highest buckets should not be populated in order to incentivize institutions not to increase their systematic importance.

Table 2: Capital buffer rate

SCORE	CAPITAL BUFFER
5400 -	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.

This year's number of identified O-SIIs has been influenced by the merger of two O-SIIs (NKBM and Abanka). Given the new scores of systemic relevance of institutions in 2020, a higher buffer rate has been set for NKBM (0.50%), and a lower one for SID Banka (0.25%). The identified O-SIIs should meet the capital requirement at the highest level of consolidation in Slovenia, through common equity Tier 1 capital.

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.	3439	1.25%*
Nova KBM d. d.	1591	0.50%
SID banka, d. d.	1148	0.25%
SKB d. d.	575	0.25%
Banka Intesa Sanpaolo, d.d.	535	0.25%
Unicredit banka Slovenija d.d.	524	0.25%

Notes: *Banka NLB d.d. meets the determined capital buffer rate as of 1 January 2023.

Source: Banka Slovenije.