

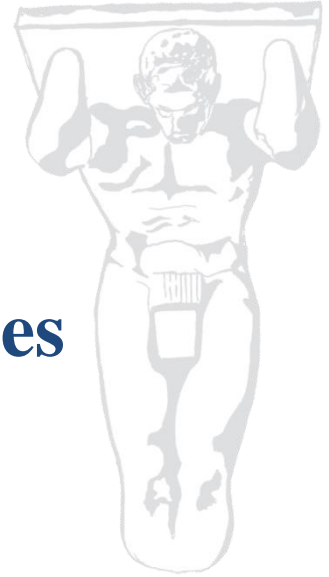
BANKA SLOVENIJE

EVROSISTEM

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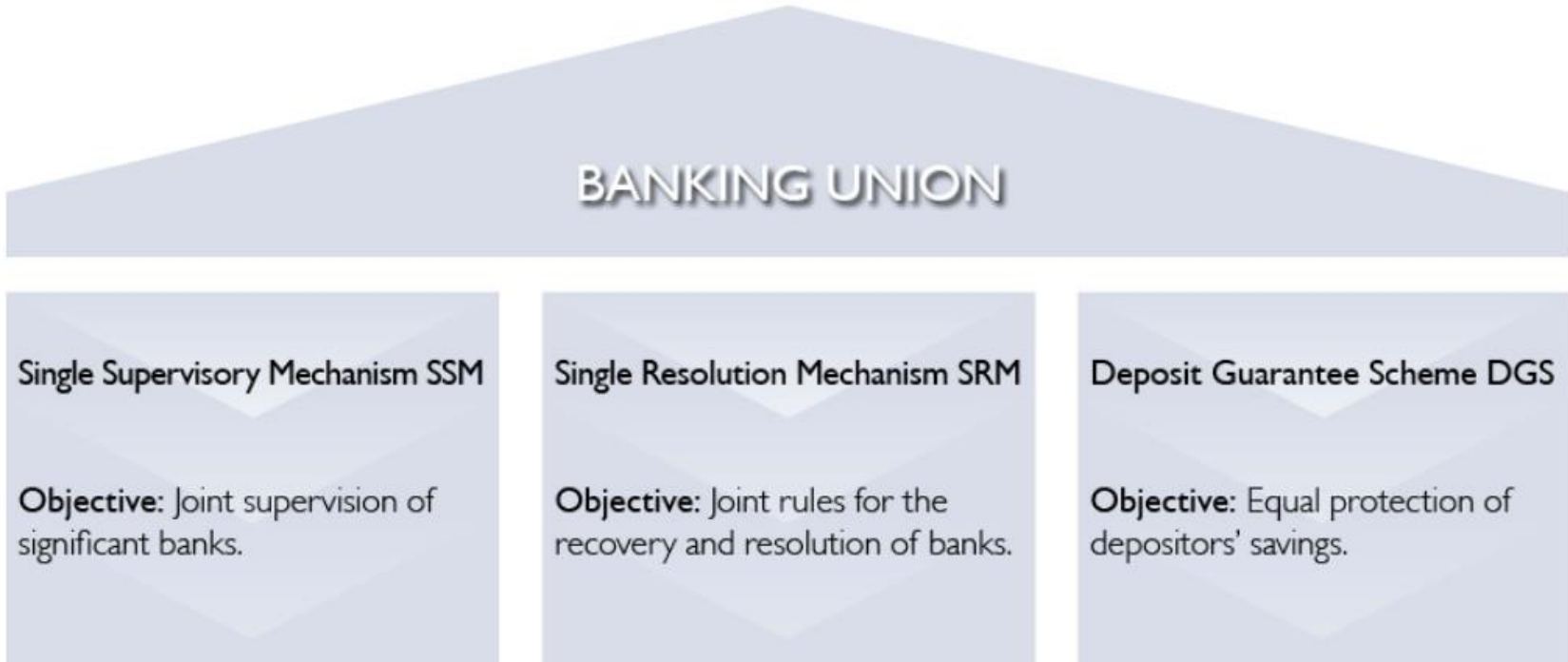
**Efficient solutions for small economies**



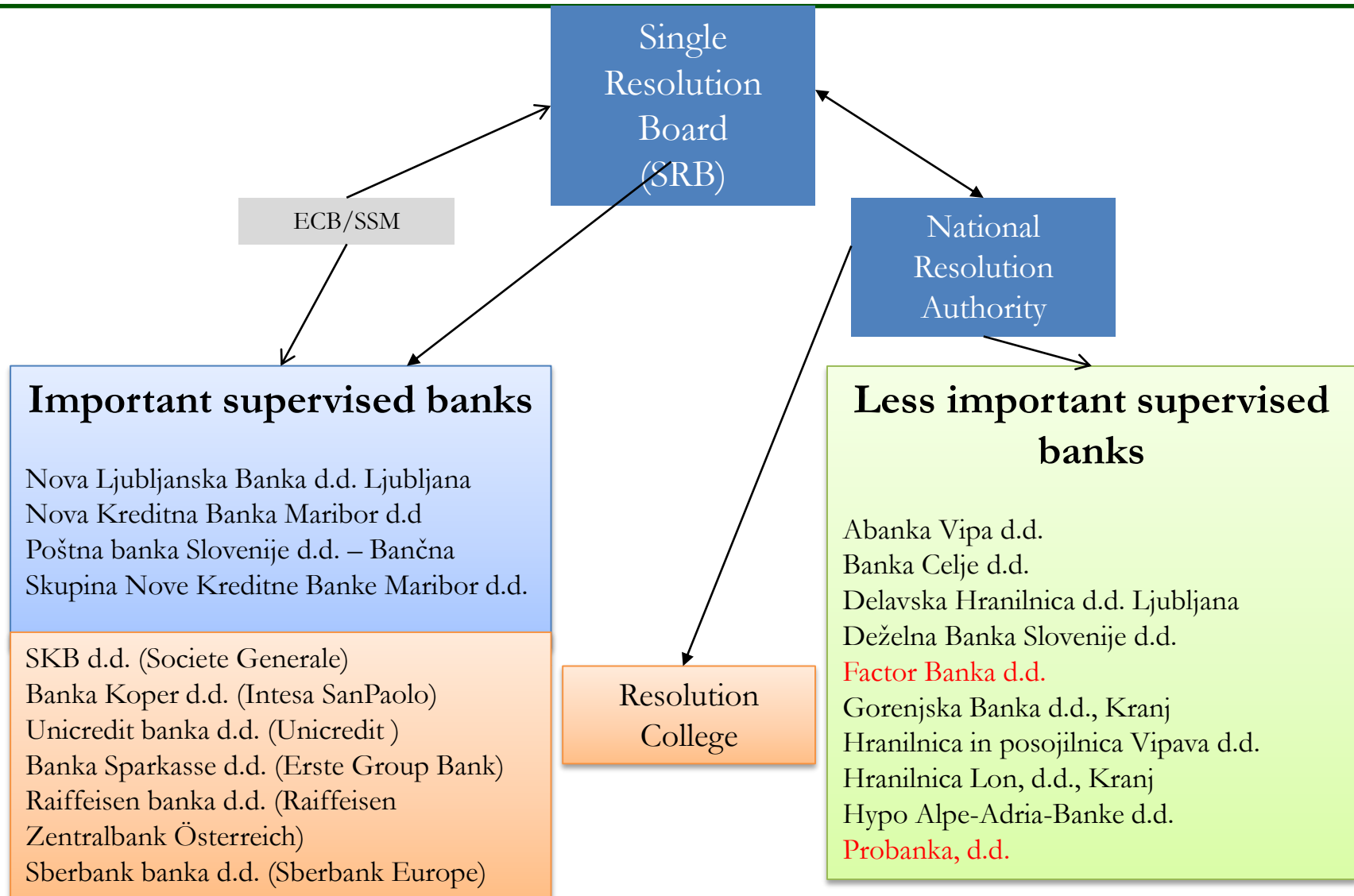
Mejra Festić,  
Vice Governor,  
Bank of Slovenia

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# The big picture



# Approaches to resolution schemes



# Resolution Tools



# Implementing EU directives

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**Phase 1 of BRRD DGSD** Project was successfully finished end of April 2015. The result was established Slovenian fund for resolution and document on general guidelines on early intervention, resolution and liquidation of banks.

**Phase 2 of BRRD DGSD** Project aims at transposing both directives in Slovene legislation and practice (Bank of Slovenia is cooperating with Ministry of Finance). Priorities are cooperation with working groups of SRB on **establishing practical implementation of directive and building of individual resolution schemes** (impact analysis of each bank on the system, resolvability analysis, detailed resolution plans).

Transposing the directives includes also the establishment of ex-ante contributions to SRF and DGS funds.

## Transitional solution

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- Currently available funds are limited.
- Use of ex-post available payment commitments could cause additional burden on banks.
- To prevent contagious effects central bank has to consider all the possible impacts of use of ex-post financing and also take into consideration alternatives.

## Slovenia – available funds

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- **current:**
- DIS ex-post financed, with liquid assets earmarked in banks balance sheets in amount of 2,2% of covered deposits.
- Slovene resolution fund, 1,3% of covered deposits, treated as investment fund for Slovene banks with maturity in 2024 and additional 1% of covered deposits as liquid assets with banks.
  
- **to be: (BRRD and DGSD impact)**
- 1,0% of covered deposits in SRF until 2024.
- 0,8% of covered deposits in DGS fund until 2024.

# Repayment period

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- current repayment period is 20 working days.
- starting 2024 repayment period in 7 working days.
- in Slovenia currently 2 repayment banks (NLB and NKBM).
- possible use of DGS fund in resolution bail-in tool.
- in all cases, the liability of the deposit guarantee scheme shall not be greater than the amount of losses that it would have had to bear had the institution been wound up under normal insolvency proceedings.



## Legal implementation

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- Existing resolution regime, which is currently applicable in Slovenia, is based on existing Banking act (ZBan-1), and is already partially compliant with BRRD requirements related to resolution.
- The existing regime already defines resolution measures as provided for in BRRD, including bail-in – but limited only to subordinated liabilities.
- Furthermore in December 2014 a new law was introduced (Bank Resolution Authority and Fund Act (ZOSRB)), designating Bank of Slovenia as the National Resolution Authority and provided for the establishment of a special investment based financing arrangement (participated by resident banks and available to Bank of Slovenia for financing the resolution measures).

## **Resolution team**

An Ad-hoc Resolution Team was established as a stand-by organisational unit which would pop-up in case when resolution would be foreseen.

It would take up all the preparatory work and the implementation of resolution measures.

Its members are nominated from all relevant BSi Departments (Supervision, Financial Stability, Legal, Banking Operations, Payment&Settlement Services, Accounting) and will be coordinated by the Resolution Unit.

# Crisis Management Group

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- Bank of Slovenia proposes to review the work on contingency planning and crisis management at the national level and at the same time revive the Crisis Management Group in order to appropriately address identification of systemic risks.
- Work would be led by the BSi to ensure development in the area of crisis preparedness, in coordination with MoF and other supervisory agencies.

## **Bank of Slovenia in three roles**

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Due to size of slovenian banking sector Bank of Slovenia plays different roles which are separated in bigger economies.

(supervision, resolution, deposit guarantee scheme)

Bank of Slovenia performs the duties of NCA and is also designated as NRA. Bank of Slovenia is also designated for managing the deposit guarantee scheme – that one currently not in line with DGSD, since the contributions are collected ex-post.

Bank of Slovenia is in the process of setting up internal rules and procedures regarding collection of ex-ante fund and contributions.

# Supervision vs Resolution

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- Organizational separation within Bank of Slovenia is established.
- Resolution uses the same and all of the data available to supervisory.
- Resolution has a different view on the same banks – gone concern.
- Resolution participates in periodic meetings of supervision with topics of troubled banks.
- Resolution gets real time information regarding decision making process of the supervision function.

# Unified reporting stream for banks

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Commercial banks report to the Bank of Slovenia via pre-defined electronic channel. Data is encrypted and checked with logical controls on receipt.

Most of the data is collected in regular reporting process.  
Additional data will be collected from banks if necessary and available in time of collection.

# Deposit Guarantee Scheme vs Resolution

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- Same organizational unit within Bank of Slovenia covers both aspects.
- Deposit Guarantee Fund separated from assets of Bank of Slovenia with own investment policy and separate audit.

# Benefits of three roles of Bank of Slovenia

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- Cost efficiency.
- Sharing of data (same information platform and data warehouse).
- Sharing of information and knowledge (daily meetings).
- Early detection of troubled banks (daily interaction supervisory – resolution).
- Same contact institution for banks.



# Potential downsides of three roles of Bank of Slovenia

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- Different role for Deposit Guarantee Scheme and Resolution  
Solution: transparent decision making with strict procedures.
- Less critical evaluation of role of supervision if a bank fails due to same decision making body (board of directors of Bank of Slovenia).

Solution: transparent decision making with strict procedures, additional/different members of resolution board.

# Conclusion

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- Good information flow is paramount,
  - Early detection = less costs,
  - Better to prevent than to cure.
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- Bank of Slovenia considers combined solution (supervision, resolution, deposit guarantee scheme) as most efficient for smaller economies.

**Thank you**

Mejra Festić, Vice Governor, Bank of Slovenia