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REPUBLIC OF SLOVENIA: TECHNICAL ASSISTANCE REPORT—CONTINGENCY PLANNING AND CRISIS MANAGEMENT

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TECHNICAL ASSISTANCE REPORT—CONTINGENCY PLANNING AND CRISIS MANAGEMENT

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Monetary and Capital Markets Department

REPUBLIC OF SLOVENIA

TECHNICAL ASSISTANCE REPORT

CONTINGENCY PLANNING AND CRISIS MANAGEMENT

David Parker (Mission Chief) and Atilla Arda

May 2016

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Glossary

BOS	Bank of Slovenia
BRF	National Bank Resolution Fund
BRRD	EU Bank Recovery and Resolution Directive
CG	Co-ordination Group
CP	Contingency Plan
CPCM	Contingency Planning and Crisis Management
DGS	Deposit Guarantee Scheme
DGSD	EU Deposit Guarantee Scheme Directive
D-SIB	Domestic Systemically Important Bank
ECB	European Central Bank
ESRB	European Systemic Risk Board
EWS	Early Warning System
FAQ	Frequently Asked Questions
FSB	Financial Stability Board
LOLR	Lender of Last Resort
MCM	Monetary and Capital Markets Department (IMF)
MoF	Ministry of Finance
MOU	Memorandum of Understanding
PBC	Problem Bank Committee
P&A	Purchase and Assumption transaction
RRP	Recovery and Resolution Planning
SRD	Systemic Risk Dashboard
SSM	Single Supervisory Mechanism

PREFACE

At the request of the Bank of Slovenia (BOS), a technical assistance mission from the International Monetary Fund's (IMF) Monetary and Capital Markets Department (MCM) visited Ljubljana, Slovenia from February 29 through March 8, 2016. The mission comprised Messrs. David Parker (Mission Chief) and Atilla Arda.

The mission met with Governor Boštjan Jazbec (BOS), Minister Dušan Mramor (Ministry of Finance, MoF), and senior officials and staff of the BOS, and representatives of the MoF, the Insurance Supervisory Agency, and the Securities Market Agency. The mission's main findings and recommendations were presented at a concluding meeting attended by Vice Governor Mejra Festić and senior officials and staff of the BOS.

The mission would like to express its appreciation to the BOS officials and staff, and to representatives of other organizations with whom the mission met, for their hospitality, and the cooperation extended to the mission. In particular, the mission would like to express its appreciation for the excellent support by Elvi Rwankuba; his efficiency helped greatly to increase the mission's effectiveness.

EXECUTIVE SUMMARY

Prior to this mission, two Monetary and Capital Markets (MCM) Department IMF missions visited Ljubljana during December 15–19, 2014 and July 9–20, 2015 to assist the Slovenian authorities in introducing an effective framework for contingency planning and crisis management (CPCM), including bank resolution and deposit guarantee. As a result of the 2014 mission, two follow-up missions were planned on: (i) bank resolution and deposit insurance; and (ii) CPCM. This report documents the findings of the second follow-up mission. It should be read in conjunction with the reports of the previous two missions—information that was shared in the previous reports is not repeated in this report.

The authorities are overhauling the legal framework that underpins bank resolution and deposit insurance. Primarily, this is done in the context of transposing into national legislation the EU Bank Recovery and Resolution Directive (BRRD) and the Deposit Guarantee Scheme Directive (DGSD). The draft for the latter is with parliament; the draft law for the former is expected to be submitted to parliament shortly. The authorities are also amending legislation concerning the winding down of banks to ensure an expedient liquidation process for smaller banks that will not be subject to full-fledged resolution.

The authorities—particularly, the Bank of Slovenia (BOS)—recognize the need and opportunity for operational readiness to complement the new legal framework. While previous bank interventions in Slovenia were forceful and have helped maintain confidence in the banking system, these interventions were lacking proper (i.e., in advance developed) CPCM and were expensive.[1] Learning from this experience and building on the new legal framework, the authorities aim to put in place a policy and operational framework mitigating concerns over contagion risk, and ensuring timely, expedient, and less costly bank interventions. The BOS sees the need to adapt its internal organization, and strengthen procedures and preparedness in these areas in order to meet its new mandates as well as institutionalize lessons from recent interventions.

The authorities have made progress in implementing the recommendations of the December 2014 and July 2015 TA missions. In particular, legislative reforms are progressing, the authorities have established a Bank Resolution Unit, and have put in place arrangements to strengthen this unit with additional resources when needed. The scorecard below tracks the implementation of previous TA recommendations, and Appendix I elaborates on this. This mission did not make new recommendations other than elaborating

[1] Recent cumulative direct government support to the banking sector exceeded 10 percent of GDP. In part because of the banking sector difficulties, general government debt has risen from under 40 percent of GDP in 2010 to over 83 percent of GDP in 2015.

on recommendations from the previous missions; it encouraged the authorities to continue to implement outstanding recommendations.

Scorecard Implementation of Previous TA Recommendations

Done

- Bank Resolution Unit
- Pop-up Resolution Resources
- Problem Bank Committee
- Draft DGS Law:
  - public policy objectives
  - separate funds and accounting
  - ex ante funding
  - resolution funding
  - ad hoc premium hikes
  - credit line to MOF
  - outlay safeguards
- Draft Bankruptcy Law:
  - administrative function
- Temporary Administrator Policy

Ongoing

- Recovery Planning
- Resolution Planning
- P&A Preferred Resolution Tool
- Canvas Interest in P&A
- Draft BRRD Law:
  - early intervention policy
- DGS Information Collection
- DGS Amendments to Cross-Border MOUs
- DGS Target Level
- DGS Risk-Based Bank Assessments

Still to Do

BOS

- Revive BOS Crisis Management Team
- Establish Crisis Preparedness Unit
- Prepare Contingency Plan (including communications)

National

- Ensure Leadership for Crisis Preparedness and Management
- Prepare Crisis Management Plan
- Prepare Single Voice Communications Plan

Still to Do

- P&A Asset Valuation Policy
- Least Cost Principle
- List Potential Liquidators
- Rules-Based Recoveries Distribution
- DGS Public Awareness Campaign
- DGS Counseling Depositors Post Bank Failure

Rejected with explanation

- DGS Separate Legal Personality
- DGS Seed Funding From MOF
- DGS Initial Contributions

Any project in this area is subject to capacity constraints. BOS staff resources and possibly the supply of outside expertise (e.g., in bank management or loan workouts) that is familiar with local conditions is limited. It will be important to contain operating costs. Moreover, while bank resolution and crisis management frameworks should not rely on government support or central bank liquidity assistance except—in the latter case—to solvent banks with adequate collateral, both the government and the BOS should be ready to expeditiously provide such financial support, while taking due account of fiscal or monetary constraints.

The mission led two well-attended, interactive workshops for the authorities. The first workshop covered in broad strokes the key elements of contingency planning and crisis management. This helped lay the groundwork for this mission's meetings. At the request of the authorities, the mission conducted a second one-day workshop that addressed balance sheet splits for purpose of purchase and assumption (P&A) transactions.

I. Contingency Planning

Contingency planning aims to help the authorities respond well to events within their mandate. This requires tools to monitor pertinent developments, awareness of policy and operational options, advance decisions on the use of the authorities' powers, procedures to coordinate with other—domestic and foreign—agencies, and simulations to exercise implementing contingency plans.

1. **The mission reiterated its December 2014 recommendations that BOS and national contingency plans (CP) be adopted and actively overseen by dedicated bodies and supported by specialized, small teams**. For the BOS, this would mean that its Crisis Management Team (CMT) actively oversees the BOS's contingency planning. The CMT comprises three vice governors, the secretary general, and five directors. The CMT is responsible for, among other things, assessments of crisis situations, formulation of possible responses, and general contingency planning of the BOS. The BOS advised that since end-2013 (after accomplished recapitalization of banks), the CMT has not been meeting any more. The mission recommended reviving the CMT, supported by a small Crisis Preparedness Unit. This will require more frequent meetings—the CMT's rules require monthly meetings—a work program (including the adoption of a comprehensive contingency plan), and contingency simulation exercise. The mission also reiterated that a national crisis management plan be adopted. As banks dominate the Slovenian financial system, the BOS contingency plan would be the backbone of the national crisis management plan.

2. **The authorities are revisiting the inter-agency coordination arrangements**. The authorities are considering abolishing the dormant national Coordination Group (CG) and to transfer its CPCM mandate to the national Financial Stability Board (FSB), which is mandated with macroprudential policies (MaPP). Both entities bring together the MOF, BOS, the Insurance Supervision Agency, and the Securities Market Agency. The mission advised that regardless of which entity is responsible, it should actively oversee contingency planning and crisis management. If the authorities decide to merge the CG and the FSB, the mission recommended that two technical working groups be formed under this body and populated with MaPP and CPCM experts, respectively.

3. **Responsibilities should be described in agency-specific terms that reflect each institution's role in a crisis**. Individual responsibilities should be defined in each agency's CP and in the national CP. Due to normal staff fluctuations, these roles should be assigned to certain functional positions within each agency's hierarchy rather than to particular individuals (e.g., deputy governors and directors of the central bank; treasurer, and the head of Macroeconomic Unit at the MOF; etc.).

4. **Effective crisis management depends on rapid access to reliable information and on timely assessments of how systemic threats might arise and develop**. There must be agreement on responsibility for preparing all data, information, and analyses needed for meetings. Given that all relevant information and analyses are not produced by the BOS, it would be effective to establish protocols on information sharing and analysis of responsibilities.[2] In particular, strong confidentiality clauses should be in place for the sharing of information among pertinent agencies. A subcommittee of the CG/FSB should be established with the participation of employees from pertinent agencies. It should meet twice a year to review data requests, decide on optimal formats of reporting, eliminate irrelevant and unnecessary reports, and decide which data to share with which member institutions.

5. **The CG/FSB should collect reports from the BOS and other parties on any extraordinary circumstances that could have adverse affects on the financial system**. Fraud, monetary laundering, criminal proceedings about a bank, its shareholders or management, and accounts blocked by correspondent banks (among others) should be reported.

6. **Availability of documentation is crucial for timely and effective crisis management**. The authorities should fully document all administrative actions that may be taken in a crisis to assure legal defensibility. This includes having manuals, supporting documents with excerpts of the key applicable laws and templates—in particular, for lender of last resort (LOLR), guarantees, or interaction with the media—as well as checklists of actions to be taken. The checklists of each competent authority should be discussed under the auspices of the CG/FSB (in one of its working groups) to ensure they are mutually compatible. Documentation should be held in a secure place in each institution. CPs should refer to this documentation.

7. **The BOS has in place an elaborate Systemic Risk Dashboard (SRD)**. The SRD builds on pertinent BIS and IMF indicators and emulates the European Systemic Risk Board (ESRB) Dashboard. The SRD comprises 17 indicators and 5 intermediate objectives that are linked to several risks that could jeopardize the objectives. The BOS is working to include more indicators and automate the SRD. Together with the Insurance Supervision Agency and the Securities Market Agency, the BOS is working on an integrated SRD.

8. **The BOS intends to introduce an early warning system (EWS) that is forward looking and based on more quantitative assessments**. The Slovenian authorities are also subject to the jurisdiction of the ESRB. The ESRB is mandated to issue early warnings to

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[2] For example, while the BOS would be responsible for the analysis of systemic risks, the MOF should be responsible for the assessment of costs and benefits of the use of public funds (although the BOS can assist in providing information and analysis).

member states. In Slovenia, these are addressed to the FSB and implementation is left to the FSB's member agencies.

9. **Slovenian D-SIBs are subject to supervision by the European Central Bank (ECB)**. This concerns three domestically owned banks and six foreign-owned subsidiaries. The remaining banks in Slovenia are considered less significant institutions for purposes of the EU single supervisory mechanism (SSM). The BOS has its own methodology for identifying other D-SIBs for crisis preparedness purposes (that is, eligibility for support from the national resolution fund).

10. **SSM banks are subject to the ECB's early intervention framework, while the BOS has in place its own early intervention framework for other banks**. The ECB Supervisory Board is notified when an SSM bank reaches score 4 of the Supervisory Review and Evaluation Process. The Supervisory Board decides on the early intervention measures pursuant to the BRRD. The BOS has documented its own early intervention triggers in a manual. After transposition of the BRRD into Slovenian legislation, its early intervention menu will be the same as for the SSM banks, and the manual will be updated accordingly.

11. **Recovery and resolution planning (RRP) is underway**. All three domestically owned D-SIBs have submitted recovery plans. Joint supervisory teams, which operationally carry out the supervision under the ECB, have already assessed two of them and have requested changes that shall be incorporated in the next submission of the recovery plan. The assessment of the third domestically owned D-SIB is expected to be finalized in the first half of 2016. With respect to the six foreign-owned SIFIs, it was detected that the subsidiaries are not sufficiently covered by the parent companies' recovery plans. At end-2016, the BOS also expects that a resolution plan will have been adopted for all nine Slovenian SSM D-SIBs. The BOS has joined crisis management groups for five foreign-owned Slovenian SSM D-SIBs and expects to be invited for the sixth SIFI shortly.

12. **The mission recommended that both within BOS, and at the national level, a communication plan and strategy be developed to speak with one voice during financial crises**. The CG/FSB members must harmonize their efforts to carefully coordinate information, provide consistent communication to the public, and ensure that they use the same facts and assumptions. Ideally, one spokesperson should manage the communication process. Whenever a crisis appears forthcoming, CG/FSB members should plan to deliver a media statement providing information in a constructive manner to reassure the public. They should plan to use various media, including press releases, television and radio announcements, web-based platforms, and social media to provide answers to frequently asked questions (FAQs). Draft press releases and FAQs can be prepared well in advance. Building effectual relationships and trust with the media representatives who cover the financial system in regular times could boost the positive treatment in crisis times. During crises, public statements should have talking points that describe measures taken with a

positive spin and emphasize that the authorities have acted in the best interest of depositors and to restore banking system stability. The aim is to convey an accurate, honest, and prompt message that the authorities have taken strong and decisive action that will strengthen the banking sector in due course. The BOS advised that it has become more proactive regarding general communications, and that all crisis communications are vetted by the European Union. The mission welcomed the BOS's intention to document its experiences.

II. CRISIS MANAGEMENT

Crisis management requires tools and procedures that allow authorities to respond promptly, decisively, and effectively when a crisis materializes. This builds on advance preparation ('crisis preparedness') and requires comprehensive tools and powers, sufficient funds, and efficient procedures for both domestic and foreign agencies.

13. **The authorities are transposing the EU BRRD into national legislation, which will introduce a special bank resolution regime**. The draft legislation is expected to be adopted in 2016. The authorities advised that the draft law transposes the BRRD in full (without making use of any national discretion to top up). This will put in place a bank resolution regime that is broadly in line with the Financial Stability Board's Key Attributes of Effective Resolution Regimes for Financial Institutions.

14. **Extraordinary powers, along with conditions and other safeguards will be made more specific via transposition of the BRRD**. In the event that public funds are used, MOF should take the lead. However, BOS regulations and internal procedures are needed to specify how the powers will be used. In particular, strong safeguards are needed before public funds are used, including ensuring that existing shareholders bear the first loss. Directions for provisional administrators and bridge bank managers should ideally be official operating manuals of instructions. Detailing the procedures and conditions for extraordinary powers can help mitigate the scope for abuse as well as moral hazard.

15. **One of the most important resolution powers under the BRRD allows BOS to create a bridge bank**. The most effective method of resolving banks via a bridge bank is the "closed" bank option and involves revoking the bank's license and directing the preappointed receiver to enter into a P&A transaction with the government. Since the BRRD requires bridge banks to be capitalized, the MOF would have to advance such funds and consequently own and operate the bridge bank. This tool should be restricted to systemic banks or situations. Bridge banks must be temporary and only for the purpose of resolving a failing systemic bank. Because this resolution tool involves license revocation and creation of a receivership, the receiver's execution of the P&A can minimize litigation risks by leaving bad assets, shareholders' claims, contingent and other liabilities in the receivership estate. This important condition distinguishes the "closed" bank bridge resolution from "open" bank bridge resolution or nationalization, since these claims and bad assets are trapped in the

receivership. The mission recommends clearly and specifically limiting the use of the bridge bank tool to resolve systemically important banks or to address systemic situations.

16. **MOF involvement is critical at all stages of a financial crisis**. The CG/FSB should be informed of any potential crisis situation. Information provided should cover (i) whether the banks' financial statements are considered accurate and its true situation well understood (given the potential for asset stripping or fraud, and considering that liquidity support may have to be extended to an insolvent institution); (ii) which creditors should be protected and why; and (iii) which banks should receive government capital and why. Quantitative information will have to be provided to allow an assessment of the scope for public support, given macroeconomic constraints.

17. **The BOS has a comprehensive emergency liquidity assistance (ELA) framework in place**. While general conditions for ELA by national central banks (NCBs) are set by the ECB, ELA is provided by and at the financial risk of the NCBs. The BOS advised that it has in place an elaborate scheme for acceptable collateral, pricing, and haircuts. This is documented and includes also loan agreement templates.

18. **The authorities are introducing a three-pronged resolution funding mechanism, including the following components:**

Deposit Guarantee Fund (DGF)—The DGF will continue to be administered by the BOS as a separate ex ante account, a major shift from the former ex post funded scheme.

National Resolution Fund (NRF)—The NRF is administered by the BOS and funded partly with banks' contributions (regarded as investments) operated by BoS and partly with earmarked assets (as payment commitments) operated by individual member banks and available upon BoS demand. Contributions stand for EUR 191 million and earmarked assets stand at EUR 147 million (1 percent of covered deposits); the full capacity of the fund is EUR 337 million.

EU Single Resolution Fund (SRF)—The SRF is an ongoing EU initiative to mutualize member state contributions to fund resolution measures in any of the member states.

19. **Importantly, the BRRD allows the government to guarantee uninsured depositors and other creditors during a systemic crisis**. These tools may be needed to prevent depositor panic or liquidity freezes, and their potential adverse consequences on the banking sector and the economy. Because such guarantees are potentially a significant government liability, these powers should be used only as a last resort—otherwise, market discipline will suffer. Of course, the guarantees should bear reasonable fees. Banks receiving such guarantees should be prohibited from dividend declaration and payment.[3]

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[3] A similar prohibition could apply also in case of liquidity support to the distressed institution.

APPENDIX I: UPDATE ON DECEMBER 2014 AND JULY 2015 IMF TA RECOMMENDATIONS

Recommendations December 2014	Timeline
Bank Resolution Framework	
1. Establish a reporting line to the Board on the bank resolution function separate from those for supervision and monetary operations. **Update**: The resolution function reports directly to the vice governor, separate from those for supervision and monetary operations.	< 3 months Implemented
2. Organize a "pop-up" resolution department based around a small permanent Bank Resolution Unit (BRU), with ready access to resources. **Update**: in April 2015, a three-strong BRU was established to cover also DGS. Arrangements have been made for an Ad-Hoc Resolution Team. This Team would prepare and implement resolution measures. Its activities will be coordinated by the BRU; and it will be sourced from all BOS departments as needed.	< 3 months Implemented
3. Undertake preparatory work on procedures to resolve banks, the collection of relevant information, the identification of systemically important institutions and functions, and contributions to resolvability assessments. **Update**: The BRU is developing resolution plans. This includes the collection of relevant information, the identification of systemically important institutions and functions, and resolvability assessments. The EU Single Resolution Board is developing resolution plans for cross-border banks and it is gathering the experience of national resolution authorities. Transitional plans for two SIBs have been prepared. The BRU actively participates in international resolution teams to develop resolution plans for cross-border banks.	< 12 months Ongoing
4. Keep preparatory materials up to date. **Update**: Ongoing.	> 12 months Ongoing
Deposit Guarantee Scheme	
5. Give the DGS legal personality and an organic law. **Update**: See item 16, July 2015 Recommendations	< 12 months Partially ongoing
6. Maintain the DGS within the BOS operationally and structurally. **Update**: Included in the draft DGS Law.	< 12 months Ongoing
7. Establish ex ante funding and a reserves target range. **Update**: See items 18 and 19, July 2015 Recommendations	< 12 months Ongoing
8. Ensure that the DGS has adequate start-up funds and access to back-up funding (through the MoF). **Update**: See items 21, 22, and 26, July 2015 Recommendations.	< 12 months Partially ongoing

Recommendations December 2014	Timeline
9. Formally adopt a prudent investment policy for the DGS fund. **Update**: See item 25, July 2015 Recommendations.	< 12 months Ongoing
10. Start collecting information and formulate procedures for DGS operations. **Update**: The BOS is collecting information for DGS purposes, has implanted SCV recommendations, has prepared a payout manual, and has undertaken preparatory work to ensure that the DGS will meet legislative responsibilities. Further work will be done.	> 6 months Ongoing
Crisis Preparedness and Management	
11. Within the BOS, revive the Crisis Management Group supported by a small Crisis Preparedness Unit. **Update**: in progress.	< 3 months To be done
12. Identify systemic risks and prepare contingency plans including operational procedures and a communication strategy. **Update**: in progress.	< 12 months To be done
13. At the national level, revive the Co-ordination Group and prepare a "crisis plan for action." **Update**: Not yet started.	< 6 months To be done
14. Keep preparatory materials up to date. **Update**: Not yet started.	> 12 months To be done
Recommendations July 2015	**Timeline**
Bank Resolution Framework	
1. Create a Problem Bank Committee (PBC) within the Bank Supervision Department, and including the Head of the Resolution Unit and senior manager of the DGS as members, to be convened whenever any bank or banks enter problem status. **Update**: In November 2015, the Supervision Department started with quarterly reviews of all banks to identify in particular potential problems. Participating departments are Banking Supervision, Systemic Supervision and Prudential Regulation, Financial Stability and Macroprudential Policy; in April 2016, the Resolution Unit will join.	< 3 months Implemented
2. Appoint a Temporary Administrator for 4 and 5 CAMELs rated banks as well as for banks that are lingering in 3 rated status and show little signs of improvement. The Temporary Administrator should, inter alia, monitor insider and large transactions to prevent asset stripping and gather information for advance intervention and resolution preparation. 3. **Update**: The Bank Recovery/Resolution Committee can propose the Board to initiate on-site inspections. In case of rapid financial deterioration, the law authorizes BOS to appoint a temporary administrator with early intervention powers (including, limiting some powers of the bank's management).	When necessary

Recommendations December 2014	Timeline
4. Amend banking law to implement a policy of early intervention in financial institutions before capital deteriorates to zero. **Update**: Part of the transposition to national legislation of the BRRD and EBA Guidelines.	< 6 months Ongoing
5. Appointment of Temporary Administrator will activate the "pop-up" of intervention and resolution teams. **Update**: Included in Early Intervention, Resolution and Insolvency Manual.	When necessary Implemented
6. Prefer P&A as resolution tool for non-systemic banks. **Update**: Particular resolution tools for individual non-systemic bank will be defined in respective resolution plans, taking into account the market impact and costs of the particular tool. New insolvency legislation will give the BOS a broader resolution toolkit vis-à-vis non-systemic banks outside of the regular bankruptcy proceedings. It is expected that this will render P&A the preferred resolution tool.	< 6 months To be done
7. Head of Resolutions Unit to periodically canvas strong domestic and foreign banks for interest in acquiring a failed bank via a P&A transaction. **Update**: Included in the Resolution Unit's work plan for 2016.	< 6 months and ongoing To be done
8. For purposes of a P&A asset valuation, book value of performing loans can be considered market value. **Update**: Will be considered when approaching potential buyers. Recent experiences with the liquidation of Probanka and Factor Banka show different valuation—change in classification of claims to companies after the revision of external auditor.	When necessary To be done
9. Develop effective "one-voice" communications plan for bank resolution. **Update**: Added as task for BRR/DGS project.	< 6 months To be done
10. Implement policy of requiring "least costly" resolution method. **Update**: Will be considered when developing the resolution plans.	< 3 months To be done
11. Amend banking law to clearly and fully put bank bankruptcy as an administrative function under the central bank, superseding company insolvency legislation, and eliminating bankruptcy court role. **Update**: The current insolvency framework is under revision and broader powers for the BOS in case of bank bankruptcies are under consideration.	< 6 months Ongoing
12. Maintain list, with contact information and CVs, of potential professional, qualified bank liquidators. **Update**: Added as task for BRR/DGS project.	< 6 months To be done
13. Develop a standard bank liquidation manual. **Update**: Is included in the Early Intervention, Resolution and Insolvency Manual.	< 6 months Ongoing
14. Require periodic reports from Liquidator. **Update**: Will be subject to new bankruptcy procedure, depending on the scope of new powers vested in the BOS.	When necessary To be done

Recommendations December 2014	Timeline
15. Amend banking law to require rules-based periodic distribution of recoveries on liquidated assets from Liquidator to claimants according to legal priority. **Update**: Will be subject to new bankruptcy procedure, depending on the scope of new powers vested in the BOS.	< 6 months To be done
Deposit Guarantee Scheme (DGS)[4]	
16. Enshrine the DGS's public policy objectives in legislation or regulation. **Update**: Included in draft legislation transposing the DGSD.	< 6 months Ongoing
17. Grant the DGS a separate legal personality; and ensure that DGS's accounting and funds remain separate from BOS's. **Update**: Draft DGS Law would establish the DGS Fund within the BOS. The Fund would not have legal personality. It would be set up as a dedicated pool of assets with own capacity, granted by law, to be the holder of rights and obligations and to be a party to legal proceedings. The Fund will be managed separate from other assets/liabilities that the BOS manages; and the BOS will not be liable for the Fund's obligations. The draft law also prescribes separate financial accounts and an annual report of activities for the Fund.	< 6 months Ongoing
18. Include deposit insurance issues in supervisory MOUs with relevant foreign supervisors. **Update**: This will be considered when reviewing MOUs between the BOS and the supervisory authorities of neighboring countries (Austria, Italy, Germany and ex-Yugoslavia countries).	< 6 months To be done
19. Change DGS's funding from ex post to ex ante. **Update**: included in the draft DGS Law.	< 6 months Ongoing
20. Develop and set a target fund range based on clear, consistent and transparent criteria.	< 6 months
Update: The target level will relate to the expected use of Fund and the structure of banks' balance sheets. The project team took into account a wide set of factors influencing the level of DGS Fund and proposed a method for determining the target size. The target level will be laid down in the Fund's by-laws.	Ongoing
21. Specifically authorize in legislation that DGS funds can be utilized to facilitate a resolution action (i.e., P&A) but not to exceed that which would have been expended in a liquidation. **Update**: Included in the draft DGS Law; further resolution tools in liquidation procedure will be defined in new insolvency framework.	< 6 months Ongoing

[4] Most of these Recommendations should be included in the DGS legislation or regulation, so carry the same timeline.

Recommendations December 2014	Timeline
22. Impose initial contributions on member banks. **Update**: Contributions to the DGS Fund will start in June 2016. No initial contributions will be collected. New banks that will join later will follow the rules laid down in the draft DGS Law and elaborated upon in the by-laws.	< 6 months To be done
23. Explore the possibility of "seed" funding from the government. **Update**: Ministry of Finance does not support this.	< 6 months Not implemented
24. Begin imposing periodic risk-based assessments on member banks. **Update**: Resolution Unit reviews supervisory data and reports; and it will participate in regular meetings with the Supervision division and the Financial stability department assessing individual bank's performance.	< 6 months Ongoing
25. Provide for the ability to temporarily raise premiums to replenish the fund, if necessary. **Update**: Included in draft DGS Law: extraordinary contributions set at a maximum of 1.0 percent of covered deposits in a calendar year. While setting the actual level of these contributions, the BOS would take into account the potential negative impact on the system. The BOS would be authorized to temporarily waive the extraordinary contributions for certain banks.	< 6 months Ongoing
26. Create a formal investment policy for the DGS's reserve fund. **Update**: Existing task for BRR/DGS project. The BOS has experience with developing the investment policy for the national resolution fund; the DGS fund's investment policy will be similar to the existing policy.	< 6 months To be done
27. Arrange an emergency line of credit with MoF. **Update**: An emergency line of credit is included in the draft DGS Law. An agreement between the Ministry of Finance and the BOS for reimbursement of potential liquidity provided by the BOS was already established according to existing legislation.	< 6 months Ongoing
28. Ensure that the DGS's outlays are limited to: (1) administrative and operating expenses of the DGS; and (2) reimbursement of insured depositors in the event of a bank failure. **Update**: included in the draft DGS Law.	< 6 months Ongoing
29. Undertake a public awareness program. **Update**: Added as task for the BRR/DGS project during and after the implementation of DGSD into Slovenian legislation. The media have already been briefed with the changes that the draft law would introduce.	< 6 months Partially implemented /ongoing
30. Be prepared to counsel insured and uninsured depositors after bank failures. **Update**: Added as task for the BRR/DGS project.	When necessary To be done