Notification template for borrower-based measures

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the European Central Bank (ECB);
- DARWIN/ASTRA when notifying the European Systemic Risk Board (ESRB).

This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure[1].

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority and scope of the notification		
1.1	Name of the notifying authority	Banka Slovenije
1.2	Country of the notifying authority	Slovenia.
1.3	Type of borrower-based measure	Please select one of the measures listed below: ☒ Debt-service-to-income (DSTI) ☐ Loan-to-income (LTI) ☐ Loan-to-value (LTV) ☐ Debt-to-income (DTI) ☐ Loan maturity ☐ Other (please provide a short, name-like description here and provide more details in Section 2)
1.4	Type of notification	What do you intend to notify? ☐ Activation of a new measure ☒ Change to an existing measure ☐ Extension of an existing measure ☐ Termination of an existing measure

[1] On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

2. Description of the measure		
2.1	Description of the measure	The latest significant increase in the minimum gross wage at the beginning of 2023 led to an increase of the share of households that have fallen out of the creditworthiness condition, since the previous borrower-based measure was tied to a creditworthiness threshold of 76% of gross income. This prompted Bank of Slovenia to reconsider the previous threshold by introducing a cost-based minimum threshold rather than relying on an income-based threshold. The change was accompanied also with the rethinking of the size of the share of allowed exemptions and the simplification of the number of DSTI caps to only one, with the intention of maintaining the same macroprudential policy stance. The main changes in the BBM framework are the following: - Reduce the maximum allowed DSTI to 50% for the portion of the net income that exceeds twice the minimum gross wage (previously at 67%). - Lower the creditworthiness threshold from 76% of gross income to the level of minimum living expenses, which will be assessed every year and, if necessary, adjusted for inflation. The minimum amount that must remain with the consumer every month after paying off all credit obligations for the years 2023 and 2024 is EUR 745. It is based on the estimate of the minimum living expenses prepared by the Institute for Economic Research in November 2022 (which amount to EUR 669) and adjusted with the inflation forecast of the Bank of Slovenia for years 2023 and 2024. - When calculating the consumer's annual income, banks may also take into account child allowances and some other social security benefits. - Reduce allowed DSTI exemptions from 10% to 3%. DSTI restrictions do not apply to loans that

		fall under the exception. Consumer loans under DSTI exemption must be consistent with maturity limits.
2.2	Definition of the measure	Definitions remain unchanged
2.3	Legal basis and process of implementation of the measure	The Bank of Slovenia issued the macroprudential restrictions pursuant to Articles 4, 17 and 19 of the Macroprudential Supervision of the Financial System Act (Official Gazette of the Republic of Slovenia, No. 100/13 and 42/23).
2.4	Coverage	These restrictions are addressed to banks, savings banks, branches of Member State and third-country banks in Slovenia.
		The measure covers lending to natural persons.

		The measure covers new housing and consumer loans to natural persons (not all instruments cover all types of loans).
2.5	Calibration	
3. Timing for the measure		
3.1	Timing for the decision	06/06/2023
3.2	Timing for publication	07/06/2023
3.3	Disclosure	
3.4	Timing for the application	01/07/2023
3.5	End date (if applicable)	Click here to enter a date.
4. Reason for activation of the measure		

4.1	Description of the macroprudential risk	
4.2	Indicators used for activation of the measure	
4.3	Effects of the measure	A lower creditworthiness threshold will facilitate access to credit for individuals with lower incomes. The reduction of the maximum DSTI for higher income individuals from 67% to 50% will slightly reduce the maximum loan amount high income borrowers can obtain. A reduction in the permitted DSTI exemptions will somehow mitigate the partial relaxation of the DSTI measure.
5.	**Sufficiency, consistency and non-overlap of the policy response**	
5.1	Sufficiency of the policy response	The borrower based measures in Slovenia have achieved their objectives. The excessive credit growth of consumer loans has moderated and credit standard have remained stable. The adjustment of the macroprudential measure will improve access to credit for individuals with lower incomes. More information on the assessment of the existing borrower based measures is available in: Financial stability review October 2021 p. 81 – 83. Financial stability review April 2021 p. 81 – 84 Bank of Slovenia's annual report for 2020 p. 70 - 72

		Financial stability review October 2020 p. 77 – 78
5.2	Consistency of application of the policy response	The instrument mix is consistent to the identified risks and vulnerabilities and it follows the ESRB Recommendation on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1) and Bank of Slovenia's Strategic framework for macroprudential policy (link). The intermediate objective of macroprudential measures is to mitigate and prevent excessive credit growth and leverage.in assessing the consistency of the policy response.
5.3	Non-overlap of the policy response	The borrower based measures address the potential vulnerabilities arising from new loans to households by preventing excessive credit growth and deterioration of credit standards. Flexibility allowed by the Article 124 of CRR is also active; the LTV threshold for lower risk weight for exposure secured by RRE was decreased from 80 % to 60 %. This measure targets the risks associated with the existing loans secured by RRE. The measure was introduced before binding borrower based measures were put in place. Given the signs of overvaluation in the housing market the measure remains necessary to address the risks on the balance sheets of banks.
6.	**Cross-border and cross-sector impact of the measure**	

6.1	Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2[2])	Cross-border effects are deemed very unlikely for the following reasons. The measure applies also to branches of foreign banks operating in Slovenia. Therefore, there is no risk that the effectiveness of the measure is undermined if subsidiaries in Slovenia of foreign banks were converted into branches. Negative inward and outward effects would arise if Slovenian borrowers redirected their demand for loans abroad. Given the relaxation of the measure such effects are not expected
6.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	Potential for regulatory arbitrage and leakages for housing loans is rather small, since banks are their main providers. Potential for regulatory arbitrage and leakages is larger for consumer loans. The potential is the highest within banks as they can avoid the macroprudential restrictions by shifting lending from loans to overdrafts and credit card lending. We expect that the relaxation of the DSTI cap will decrease the incentive for the circumvention of measures. Currently the level of circumvention from the measures is confined to alternative banking products the scope of which is still limited and closely monitored. Bank of Slovenia will continue to monitor potential circumventions of macroprudential measures and act if deemed necessary.
6.3	Request for reciprocation	No, exposure of Slovene households to foreign lenders is low and has not materially changed since the original binding borrower based measures came into force.

[2] Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).

6.4	Justification for the request for reciprocation	
7. Miscellaneous		
7.1	Contact person(s)/mailbox at notifying authority	Mitja Lavrič, +386 1 47 19 595, mitja.lavric@bsi.si Črt Lenarčič, +386 1 47 19 693, crt.lenarcic@bsi.si Monika Tepina, +386 1 47 19 368, monika.tepina@bsi.si
7.2	Any other relevant information	
7.3	Date of the notification	Click or tap to enter a date.