

Pursuant to Article 13 and the first paragraph of Article 31 of the Bank of Slovenia Act (Official Gazette of the Republic of Slovenia, No 72/06 [official consolidated version], 59/11 and 55/17), Article 4, Article 17 and point 16 of the first paragraph of Article 19 of the Macroeprudential Supervision of the Financial System Act (Official Gazette of the Republic of Slovenia, No 100/13), and Recommendation FSB/2020/1 of 6 April 2020, the Governing Board of the Bank of Slovenia hereby issues the following

REGULATION
on the macroprudential restriction on profit distribution by banks

1. GENERAL PROVISIONS

Article 1
(content and purpose of regulation)

- (1) Due to the impact and consequences of the COVID-19 epidemic on the real economy and financial system, the Bank of Slovenia is implementing a temporary restriction on profit distribution by banks with the aim of increasing the resilience of the financial system to financial shocks, maintaining financial stability, preventing disruptions to the financial system and reducing the build-up of systemic risks.
- (2) The provisions of this regulation shall apply to banks and savings banks established in Slovenia and that in accordance with the Banking Act (Official Gazette of the Republic of Slovenia, No 25/15 and 44/16 [ZRPPB], 77/16 [ZCKR], 41/17, 77/18 [ZTFI-1], 22/19 [ZIUDSOL] and 44/19 [Constitutional Court decision]; hereinafter: the ZBan-2) may provide banking services in the territory of the Republic of Slovenia (hereinafter: banks).
- (3) Wherever this regulation refers to the provisions of other regulations, such provisions shall apply in their wording applicable at the time in question.

Article 2
(definition of terms)

The terms used in this regulation shall have the same meanings as in the ZBan-2, Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176 of 27 June 2013, p 1), and the Companies Act (Official Gazette of the Republic of Slovenia, No 65/09 [official consolidated version], 33/11, 91/11, 32/12, 57/12, 44/13 [Constitutional Court ruling], 82/13, 55/17, 15/17 and 22/19; hereinafter: the ZGD-1).

2. RESTRICTION ON PROFIT DISTRIBUTION BY BANKS

Article 3
(restriction on profit distribution by banks)

- (1) The restriction on profit distribution by banks under this regulation shall include a temporary prohibition on:
 - (a) the payment of cash dividends;
 - (b) payments in connection with Common Equity Tier 1 capital, which include:
 - the full or partial payment of the variable component of remuneration in the form of the shares or other capital instruments set out in point (a) of the first paragraph of Article 26 of Regulation (EU) No 575/2013,
 - the redemption or purchase of own shares or other capital instruments set out in point (a) of the first paragraph of Article 26 of Regulation (EU) No 575/2013,

- the payment of the capital instruments set out in point (a) of the first paragraph of Article 26 of Regulation (EU) No 575/2013, and
 - the distribution of the items set out in points (b) to (e) of the first paragraph of Article 26 of Regulation (EU) No 575/2013;
- (c) payments in connection with Additional Tier 1 capital;
- (d) the payment of the variable component of remuneration or the establishment of obligations for the payment of the variable component of remuneration or discretionary pension benefits for staff whose professional activities have a material impact on the risk profile of a bank (defined employees) as set out in Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile;
- (e) the use of distributable profit for the purposes set out in the sixth paragraph of Article 230 of the Companies Act (Official Gazette of the Republic of Slovenia, No 65/09 [official consolidated version], 33/11, 91/11, 32/12, 57/12, 44/13 [Constitutional Court ruling], 82/13, 55/15, 15/17 and 22/19 [ZPosS]; hereinafter: the ZGD-1); and
- (f) the payment of interim dividends in accordance with Article 232 of the ZGD-1.
- (2) The restriction of profit distribution by banks shall apply to the profits of banks and savings banks generated in 2019 and 2020, and to undistributed profits and reserves from previous years.
- (3) Notwithstanding the provisions of the previous paragraphs of this article, banks shall not assume any irrevocable commitments for the payment of dividends for the 2019 and 2020 financial years.

3. FINAL PROVISIONS

Article 4 (validity of regulation)

- (1) The macroprudential restriction on profit distribution by banks shall apply for one year following the publication of this regulation in the Official Gazette.
- (2) The Bank of Slovenia may rescind the measure before that time in the event of diminishing risk, or may extend the validity of the measure should risk increase.

Article 5 (entry into force of regulation)

This regulation shall enter into force on the day after its publication in the Official Gazette.

Ljubljana, 8 April 2020

Boštjan Vasle
President,
Governing Board of the Bank of Slovenia