



Podgorica, 31 March 2023

## **Information on review of the O-SICI identification and determining buffer rates for O-SICIs**

Pursuant to the Law on Credit Institutions (OGM 72/19, 82/20, 8/21), the Central Bank of Montenegro (CBCG) reviewed the identification of other systemically important credit institutions. This was carried out in line with the methodology specified in the Decision on Identifying Other Systemically Important Credit Institutions (OGM 127/20).

The procedure was primarily guided by the 2022Q4 data submitted by the credit institutions as a part of their regular reporting to the CBCG.

The aforementioned methodology is fully harmonised with the Guidelines of the European Banking Authority 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 (EBA/GL/2014/10), except for the part referring to the systemic significance threshold that is set at 500 bp or more instead of 350 bp or more.

In line with the methodology, the first phase required the scoring of credit institutions according to the mandatory indicators from all four groups: 1) size, 2) importance for the economy of Montenegro, 3) complexity and cross-border activities, and 4) connection with the financial system. All credit institutions which total score was equal to or higher than 500 bp were identified as other systemically important credit institutions (O-SICIs), resulting in ten identified O-SICIs.

The second phase involved an expert assessment which examined whether it was necessary to identify as O-SICI any credit institution other than those recognized in the first phase. This assessment did not reveal any additional O-SICI, therefore, the number of finally identified O-SICIs remained ten.

The procedure then implied determining buffer rates for each of the O-SICIs using the equal expected impact approach, with the implementation of best European practices. In general, this approach equates the expected impact of disruptions in the work of an O-SICI on the entire system with the expected impact of disruptions in the work of the reference credit institution.



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Buffer rates for the O-SICIs are determined for the period starting from 31 March 2023.

The following table shows the O-SICIs, their scores and the corresponding buffer rates.

*Table 1 – O-SICIs and their buffer rates*

O-SICIs	Scores in bp	Buffer rate determined as of 31/03/2023
Crnogorska komercijalna banka AD Podgorica	1,937	2.00%
Hipotekarna banka AD Podgorica	1,348	2.00%
Zapad banka AD Podgorica	1,181	2.00%
NLB Banka AD Podgorica	1,088	2.00%
ERSTE Bank AD Podgorica	966	2.00%
Adriatic Bank AD Podgorica	739	2.00%
Universal Capital Bank AD Podgorica	637	2.00%
Prva banka Crne Gore AD Podgorica	635	2.00%
Lovćen banka AD Podgorica	626	1.75%
Addiko Bank AD Podgorica	580	1.25%

In addition, an O-SICI that is a subsidiary of an O-SICI which is the parent credit institution from the EU to which the buffer is applied on a consolidated basis shall maintain the buffer rate for O-SICI in accordance with Article 163 paragraph 3 of the Law on Credit Institutions.

Also, according to the Decision on the Application of the Structural Systemic Risk Buffer (OGM 139/21), credit institutions are required to maintain a buffer for structural systemic risk that applies to all exposures. Pursuant to Article 165 of the Law on Credit Institutions, O-SICIs shall thus maintain the higher of the buffer rate for structural systemic risk and the buffer rate for O-SICIs. Moreover, all O-SICIs are obliged to comply with the regulations governing the structural systemic risk buffer and, in accordance with the rate of this buffer and the exposures to which that buffer applies, apply the provisions of Article 165 of the Law on Credit Institutions.

Pursuant to the Law on Credit Institutions and the CBCG's macroprudential powers, the CBCG will review the O-SICI identification once a year and the requirement for buffer maintenance for O-SICIs at least once a year.