



Podgorica, 29 March 2024

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) has carried out a review of other systemically important credit institutions (O-SICIs). The review 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 2023Q4 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) interconnectedness with the financial system. All credit institutions which total score is equal to or higher than 500 bp are designated as O-SICIs, which resulted in seven credit institutions being identified as O-SICIs in this phase.

The second phase involved the supervisory assessment which examined whether it was necessary to identify as O-SICI any credit institution other than those recognized in the first phase. The supervisory assessment identified Prva banka Crne Gore AD Podgorica as an O-SICI, based on the scoring of mandatory indicators in the category "importance of the credit institution for the economy of Montenegro, capturing its substitutability and its share in the financial market infrastructure" and additional indicators of systemic importance. Additional (optional) indicators that have been particularly considered are the amount of insured deposits within the deposit insurance scheme and the importance of the institutional protection scheme of which a credit institution is a



member, the amount of government deposits, payment services provided, and the geographical structure of activities. The aforesaid indicators are relevant for Montenegro as they properly reflect systemic risk, and Prva banka Crne Gore AD Podgorica has considerable shares in each of the indicators that exceed the bank's total score determined on the basis of scoring mandatory indicators, thus meeting the requirements for its identification as an O-SICI. Therefore, the final number of identified O-SICIs is eight.

After this, the buffer rates for each O-SICI have been determined. The procedure involves 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, together with the expected impact of disruptions in the work of the reference credit institution. By way of exception, the buffer rate for Prva banka Crne Gore AD Podgorica was determined by supervisory judgement, considering the aforesaid indicators by which it has been identified as an O-SICI.

Buffer rates for the O-SICIs are determined for the period starting from 31 March 2024.

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

Table 1 – O-SICIs and their buffer rates

O-SICI	Score in bp	Buffer rate determined, starting from 31 March 2024
Crnogorska komercijalna banka AD Podgorica	2,162	2.00%
NLB Banka AD Podgorica	1,876	2.00%
Hipotekarna banka AD Podgorica	1,369	2.00%
ERSTE Bank AD Podgorica	945	2.00%
Zapad banka AD Podgorica	793	2.00%
Adriatic Bank AD Podgorica	684	2.00%
Lovćen banka AD Podgorica	589	1.25%
Prva banka Crne Gore AD Podgorica	456	2.00%

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.



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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.