



## Central Government Budget Debt Management

### Key Political Events

#### CONSTITUTIONAL COURT HAS RULED THE REFERENDUMS ON SLOVENIA SOVEREIGN HOLDING ACT AND MEASURES TO ENHANCE BANK STABILITY ACT AS UNCONSTITUTIONAL.

On 19<sup>th</sup> December, the Constitutional Court has reached a verdict on the referendum initiatives on the Slovenia Sovereign Holding Act (ZSDH) and the Measures of the Republic of Slovenia to enhance bank stability act (ZUKSB). The Court has ruled that the suspension of the implementation and refusal of the Slovenia Sovereign Holding Act (ZSDH) and the Measures of the Republic of Slovenia to enhance bank stability act (ZUKSB) by referendum would result in unconstitutional consequences. The Court has adopted this decision with a majority of 8 out of 9 votes.

A possible referendum would have prevented the stabilization of the Slovenian banking system. Additionally, it would have caused an impact on limiting borrowing potential, as well as threaten public funding in a way that would cause the instability of public finance.

With the Slovenia Sovereign Holding Act (ZSDH) appropriate measures to ensure the efficient and optimal state ownership management will be implemented.

The Bank Assets Management Company (DUTB) within the Measures of the Republic of Slovenia to enhance bank stability act will be established as soon as possible. The next steps of the implementation include the regulation for the DUTB, including the preparation of the DUTB statutes, start-up capital, setting up suitable business premises of the DUTB. Furthermore, the Measures of the Republic of Slovenia to enhance bank stability act will introduce a forced process of lending to non-financial sector, the privatization of banks and the establishment of liability for the occurrence of bad assets of banks. The Ministry of Finance has started to prepare all necessary arrangements for the establishment of the technical criteria covering the carve out process of the non-performing loans. While implementing the latter regulations, the Ministry of Finance is also in constant contact with its advisers.

#### BANKING ACT AMENDED BY NATIONAL ASSEMBLY

On 14<sup>th</sup> December 2012 the Act amended Banking Act has been adopted (Act referred to as: "the ZBan-1J") by the National Assembly. The main objective of the amendments is to increase legal powers of Bank of Slovenia aiming at solving issues faced by the banking system under adverse financial conditions through granting resolution power and other measures.

1. The act enforces the powers of the Bank of Slovenia to take action within the framework of its supervisory competence, in case of identified violations in a bank or an identified likelihood of violations that might arise in the field of risk management and capital adequacy. The act enables the supervisor to eliminate any negative impacts and potential violations in an individual bank with preventive measures.
2. The Act is amending the legal basis for extraordinary measures, however, the arrangement of a transfer of assets of a bank to the acquirer is additionally proposed as a new extraordinary measure. These measures are suitable if the stability of the financial system is at stake or in case banks, at any given moment, may lose the confidence of their depositors and investors and would therefore need a special arrangement with regard to strengthening their capital. Extraordinary measures in the ZBan-1J are:
  - the appointment of a bank's extraordinary management board,
  - compulsory disposal of shares of a bank for the account of existing shareholders,
  - the increase in the initial capital of a bank pursuant to a decision by the Bank of Slovenia and
  - the measure of a transfer of assets of a bank to an acquirer.
3. The Act includes a provision that enables the Bank of Slovenia to prohibit a bank's supervisory board member from performing his function if he has been found to violate duties of a supervisory board member or when a supervisory board member fails to meet the conditions for the appointment.
4. The Act lays down exceptions from the application of the Takeovers Act regarding the banking system. These exceptions are necessary for the smooth implementation of above mentioned supervision measures by the Bank of Slovenia.

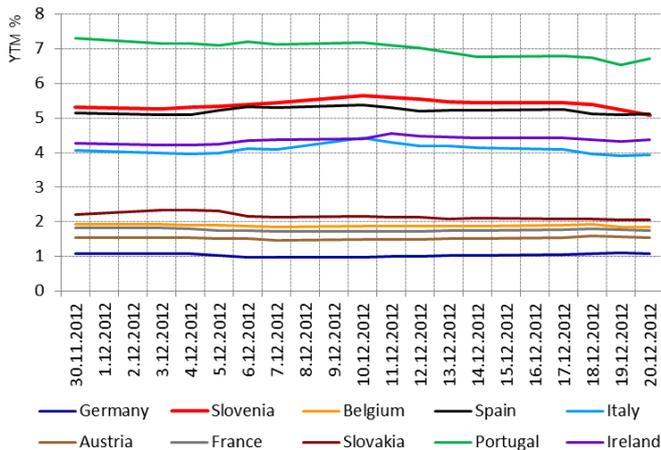
#### BUDGET ACT DEVELOPMENT

On 6<sup>th</sup> December the National Assembly passed the budgets, prepared by the Government, for the coming two years aiming at reducing the deficit to 2.8% of GDP in 2013 and to 2.5% of GDP in 2014. The budget acts project the revenues for 2013 at 8.6 bn euro, and expenditures at 9.6 bn euro. In 2014 revenues as well as expenditures are projected to drop to 8.4 bn euro and 9.3 bn euro, respectively. At the same time the National Assembly also passed the Budget Implementation Act for the years 2013 and 2014 since the budget act does not have the legal nature of a law. The budget implementation act regulates the procedures of preparation and implementation of the state budget, regulates certain elements of financial state management and the management of indirect state users.

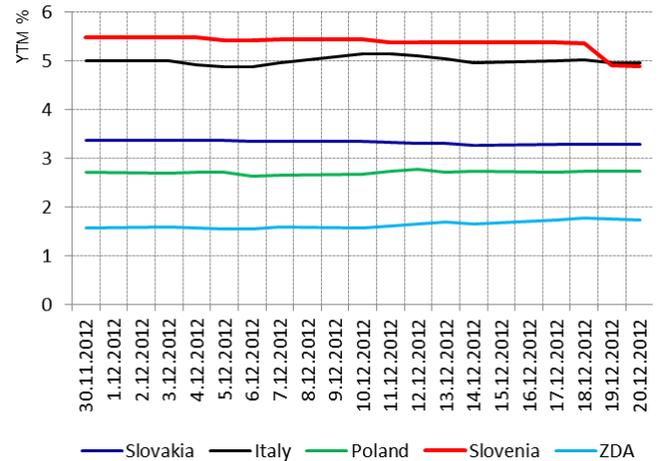
On 12<sup>th</sup> December a referendum initiative was filed by the union of professional firefighters on the passed Budget Implementation Act. The deadline for collecting 40.000 signatures for the referendum initiative is the 22nd January. On 19th December the National Assembly filed a challenge of the referendum initiative for its negative constitutional consequences to the Constitutional Court, which will reach a verdict approximately within 30 days of the handing in. On the basis of the precedence of the verdict of the Constitutional Court of 19th December (ZSDH, ZUKSB), the Government expects the verdict on the Budget Implementation Act referendum initiative to be refused by the Constitutional Court. Until the budget implementation act will not be operative, the government will operate on the basis of the temporary financing legislation, which is based on the budget incomes and expenditures of the adopted Budget 2012.

# Secondary Market Performance

10yrs EUR Bonds (YTM)

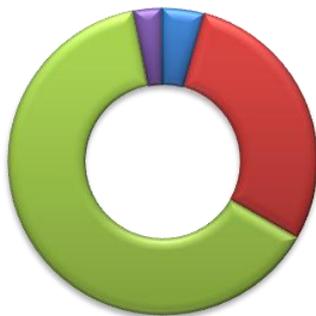


10yrs USD Bonds (YTM)



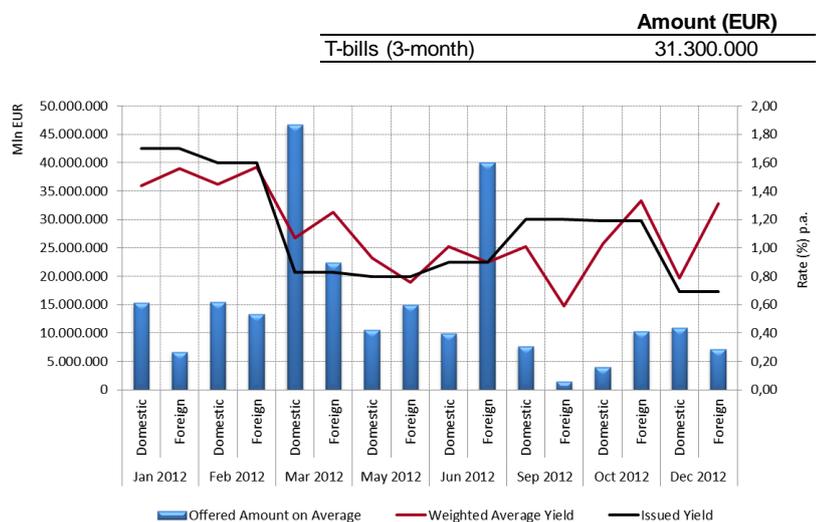
## T-bills Auction Results (Auction Date: 11. 12. 2012)

T-bills 3-month Distribution by Investor Type



- S.21100 The member states of the EU; 4.34%
- S.12201 Other monetary FI - public; 28.93%
- S.12203 Other monetary FI - foreign controlled; 63.65%
- S.13112 State funds; 2.89%
- S.12502 Insurance Corp. & pension funds; 0.18%

3-month T-bills Characteristics Breakdown by Investors Residential Status



**CONTACT:** The Treasury of the Republic of Slovenia, Župančičeva 3, 1000 Ljubljana, [http://www.mf.gov.si/en/investor\\_relations/](http://www.mf.gov.si/en/investor_relations/)

**OTHER USEFUL LINKS:** Institute of Macroeconomic Analysis and Development: [http://www.umar.gov.si/en/o\\_umar/](http://www.umar.gov.si/en/o_umar/), Bank of Slovenia: <http://www.bsi.si/en/>, Statistical Office of The Republic of Slovenia: [http://www.stat.si/eng/tema\\_ekonomsko\\_nacionalni.asp](http://www.stat.si/eng/tema_ekonomsko_nacionalni.asp)

**DISCLAIMER:** The information included in this Newsletter corresponds to the best value obtained for each period at the date of publication, and has been carefully compiled. The possibility of any mistake cannot, however, be excluded. The Treasury bears no responsibility for losses incurred as a result of using this document. This document may not be copied, distributed for any commercial purposes or published in any other way without the consent of the Treasury. This document contains information which are for information purposes only. They do not constitute an offer or invitation to subscribe or to purchase securities, nor are the information contained thereon meant to serve as a basis for any kind of obligation, contractual or otherwise.