

Rome, 14 December 2015

Dear Sir/Madam,

We are writing to inform you that the Governing Board of the Bank of Italy has designated three Italian banking groups as “Other Systemically Important Institutions” (O-SIIs). At the same time, the Board has elected not to require a specific O-SII capital buffer.

The groups designated as O-SIIs are: Unicredit (UCG), Intesa Sanpaolo (ISP) and Banca Monte dei Paschi di Siena (MPS).

The identification process was conducted in compliance with Article 131 of the Capital Requirements Directive (CRD IV) – which has been transposed into national law – and the European Banking Authority’s guidelines. Accordingly, the Bank of Italy evaluated the groups’ systemic importance in terms of: a) size, b) importance for the domestic economy, c) significance of cross-border activities, and d) interconnectedness with the financial system. The contribution of these parameters in determining the domestic systemic footprint of Italian banks has been assessed applying the indicators provided in the EBA guidelines. The resulting O-SII scores of all three banking groups exceed the 350-basis-point threshold that the guidelines set for the automatic designation of an institution as an O-SII.

The decision not to apply an O-SII capital buffer is based on the following considerations:

- One of the banking groups identified as O-SII (UCG) also has G-SII status and so is already subject to a 1% G-SII capital buffer, which is being phased in according to the international rules.
- Even though the SSM’s Supervisory Board has decided that there is no overlap between the Pillar 2 buffer and the CRD IV buffers (be they systemic or GSII/OSII buffers), the introduction of an O-SII buffer would threaten to impose an undue burden, given that all the banks included in the ECB’s Comprehensive Assessment must maintain an additional 1% CET1 capital buffer; and as is well known, the Bank of Italy, unlike supervisors in other

jurisdictions, elected not to phase the capital buffer in but to apply it immediately. We believe that the set of prudential measures already in place in Italy properly addresses the risks of domestically systemic banks.

- The three domestically systemic banks identified are subject to more intensive, strengthened supervision.
- There is a substantial danger that additional buffer requirements could hamper Italy's already sluggish economic recovery and so undermine the country's financial stability.

For any further queries, please do not hesitate to contact us.

Yours sincerely,

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