ESRB
European Systemic Risk Board
European System of Financial Supervision

EUROPEAN CENTRAL BANK
EUROSYSTEM

Notification template for Article 131 of the Capital Requirements Directive (CRD) – Other Systemically Important Institutions (O-SIIs)

Template for notifying the European Central Bank (ECB) and the European Systemic Risk Board (ESRB) of the setting or resetting of an O-SII buffer under Article 131(7) CRD and of the identity of O-SIIs under Article 131(12) CRD

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation[1]);
- [DARWIN/ASTRA link] when notifying the ESRB.

The ESRB will forward this notification to the European Commission, to the European Banking Authority (EBA) and to the competent and designated authorities of the Member States concerned without delay and will publicly disclose the names of the O-SIIs on its website. This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure[2].

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. To facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority	
1.1 Name of the notifying authority	De Nederlandsche Bank N.V.
1.2 Country of the notifying authority	Netherlands
2. Description of the measure	
2.1a Institution or group of institutions concerned	The buffer requirements are imposed on the below mentioned institutions on the basis of the highest level of consolidation. In the case of ING, the entity referred to below differs from the entity referred to in section 2.3 The reason is that the relevant provisions in Dutch law transposing Article 131 CRD (i.e. Article 3:62a of the Financial Supervision Act and Article 105c of the Decree on Prudential Rules) prescribe that the buffer requirement applies to the EU parent institution (i.e. supervised credit institution and holder of the banking licence at the highest EU level), and in addition – if any and if approved in accordance with Article 21a of the CRD – to the EU parent (mixed) financial holding company. Accordingly, all five entities referred to below are required to maintain a capital buffer on the basis of the highest level of consolidation, i.e. including the whole supervised group of which either an EU parent institution or an EU parent (mixed) financial holding company is the ultimate EU parent undertaking. The buffer requirements

[1] Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).
[2] On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

<table>
<tr><td></td><td>are in line with the provisions in Dutch law transposing Article 131 CRD and do not differ in (consolidation) scope or level from the ones imposed and notified by DNB in previous years.

<table>
<tr><th>Name of institution</th><th>LEI</th><th>Consolidation level</th></tr>
<tr><td>ING Bank N.V. (“ING”)</td><td>3TK20IVIUJ8J3ZU0QE75</td><td></td></tr>
<tr><td>Coöperatieve Rabobank U.A. (“RABO”)</td><td>DG3RU1DBUFHT4ZF9WN62</td><td></td></tr>
<tr><td>ABN AMRO Bank N.V. (“ABN”)</td><td>BFXS5XCH7N0Y05NIXW11</td><td></td></tr>
<tr><td>BNG Bank N.V. (“BNG”)</td><td>529900GGYMNGRQTDOO93</td><td></td></tr>
<tr><td>De Volksbank N.V. (Volksbank)</td><td>724500A1FNICHSDF2I11</td><td></td></tr>
</table></td></tr>
<tr><td>2.1b Changes to the list of institutions concerned</td><td>N/A</td></tr>
<tr><td>2.2 Level of the buffer applied</td><td>At what level is the fully phased-in buffer (in %) applied to the institution(s)?
<table>
<tr><th>Name of institution</th><th>New O-SII buffer</th><th>Previous O-SII buffer</th></tr>
<tr><td>ING</td><td>2%</td><td>2,5%</td></tr>
<tr><td>RABO</td><td>1,75%</td><td>2%</td></tr>
<tr><td>ABN</td><td>1,25%</td><td>1,5%</td></tr>
<tr><td>BNG</td><td>0,25%</td><td>1%</td></tr>
<tr><td>Volksbank</td><td>0,25%</td><td>1%</td></tr>
<tr><td></td><td></td><td></td></tr>
</table></td></tr>
<tr><td>2.3 Name of the ultimate EU parent institution</td><td>The 5 aforementioned entities mentioned in sections 2.1 and 2.2 have the following EU ultimate parent undertaking (either EU parent institution or EU parent financial holding company):

ING: ING Groep N.V.

RABO: Coöperatieve Rabobank U.A.

ABN: ABN AMRO Bank N.V.

BNG: BNG Bank N.V.

Volksbank: De Volksbank N.V..</td></tr>
<tr><td>2.4 Names of subsidiaries</td><td>For a list of subsidiaries (at publication date of the annual report) we refer to:

ING Groep N.V.: Annual report 2022, page 289

https://www.ing.com/web/file?uuid=7b77643e-8ef1-49c0-b470-7af37fcf43c2&owner=b03bc017-e0db-4b5d-abbf-003b12934429&contentid=59254</td></tr>
</table>

	Coöperatieve Rabobank U.A.: Annual report, page 224 Annual Report 2022 (rabobank.com) ABN AMRO Group.: Annual report, page 362 & 363 ABN AMRO – Integrated Annual Report 2022 (ctfassets.net) BNG Bank N.V.: Annual report, page 73 https://www.bngbank.com/-/media/Project/CBB/BNG-Bank-Shared/Documents/Annual-Report-2022/BNGDOCS3263737v1JV-22-UK--Annual-Report-BNG-Bank-2022--incl-disclaimer.PDF?rev=66480185aae64a6d84cc916238e6b4c4 De Volksbank N.V: Annual report, page 92 & 229 https://www.devolksbank.nl/assets/files/Investor-Relations/Jaarverslagen-de-Volksbank/De-Volksbank-Integrated-Annual-Report-2022.pdf
3. Timing for the measure	
3.1 Timing for the decision	Our final decision has been made on 3 May 2023.
3.2 Timing for publication	We plan to publish our decision on 31 May 2023.
3.3 Disclosure	We plan to disclose our final decision on our website on 31 May.
3.4 Timing for application	The new framework (including the new O-SII buffers) will go into force 1 year after the publication date (31 May 2024).
3.5 Phasing in	The buffers are fully phased-in as of 31 May 2024.
3.6 Review of the measure	A next review will take place in 2024.
4. Reason for O-SII identification and activation of the O-SII buffer	
4.1 Scores of institutions or group of institutions concerned, as per EBA guidelines on the assessment of O-SIIs **(Article 131.3 CRD)**	The scores of our institutions based on 2022 Q4 data are shown below

Name of institution	Size	Importance	Com-plexity	Intercon-nectedness	Overall Score
ING	3693	3758	5375	3631	4114
RABO	2397	2111	2222	2118	2212
ABN	1449	1908	918	1425	1425
BNG	427	297	146	681	388
Volksbank	279	325	74	219	224

4.2 Methodology and indicators used for designation of the O-SII **(Article 131.3)**	Please provide information on: a. whether you followed the EBA guidelines on the assessment of O-SIIs; DNB has fully complied with EBA guidelines. b. which threshold score has been set to identify O-SIIs; 350 basis points c. whether relevant entities with relative total assets not in excess of 0.02% have been excluded from the identification process; NA d. the names and scores of all relevant entities not excluded from the identification process (could be sent in a separate Excel file, see 4.1); A separate excel file with the score will be shared with the EBA. e. whether non-bank institutions have been included in the calculations. NA
4.3 Supervisory judgement	DNB has used the supervisory overlay, as prescribed in the EBA Guideline, to identify one bank (de Volksbank) as an O-SII *a. which of the optional indicators have been used to justify the supervisory assessment decisions, if any, and what the scores were;* (i) total exposure-at-default, (ii) type of customers, (iii) number of deposit accounts — retail, (iv) deposits guaranteed under deposit guarantee system, (v) potential reputational contagion, (vi) potential contagion through shareholders, (vii) potential contagion through entities in conglomerate. *b. why these optional indicators are relevant for the Member State;* (i) Total exposure-at-default: this indicator belongs to the 'Size' category. Some banks have a relatively high amount of off-balance activities. For these banks, total assets is not an adequate reflection of their size. (ii) Type of customers: this indicator belongs to the 'Importance' category. If banks operate in a niche market that relatively few other parties are active in, the provision of critical functions could (temporarily) be disturbed if the respective bank fails. (iii) Number of deposit accounts — retail: this indicator belongs to the 'Importance' category. The impact of problems in banks with many retail clients would be relatively high because it would disrupt the access of many depositors to their funds. (iv) Deposits guaranteed under national deposit guarantee system: this indicator belongs to the 'Interconnectedness' category. When a bank fails, depositors will be repaid up to €100,000. The other domestic banks have to share the costs, however, since they guarantee one another's deposits. This is, therefore, a direct contagion channel, as we witnessed in the financial crisis. (v) Potential contagion through shareholders: this indicator also belongs to the 'Interconnectedness' category. If banks have a large stake in one another, or if the government is a major shareholder, there could be contagion effects. (vi) Potential reputational contagion: this indicator belongs to a separate category called 'Behavioural effects'. The failure of one bank with a

	particular business model may result in a loss of trust in banks with comparable business models. (vii) Potential contagion through entities in conglomerate: this indicator belongs to the 'Behavioural effects' category. If entities within a conglomerate have the same brand name, there could also be contagion effects. c. *why the bank is systemically important in terms of those particular optional indicators.* The abovementioned criteria lead to the classification of one bank as O-SII: De Volksbank. This is based on the criterion deposits guaranteed under deposit guarantee system. For its relevance see the previous response.
4.4 Calibrating the O-SII buffer	See section 4.2 and 4.5
4.5 Effectiveness and proportionality of measure	The impact of the failure of a systemic bank on the domestic financial sector and the real economy is much larger than the impact of failure of a non-systemic bank. Therefore, the probability of default of systemic banks should be significantly reduced. This can be accomplished by increasing the loss absorption capacity through the imposition of an G-SII or O-SII buffer requirement. As a bank's systemic importance rises, it will typically be required to maintain a proportionally higher systemic buffer. The higher buffer requirements will structurally increase the solvency of systemic banks in the Netherlands. This positively affects the stability of the Dutch financial system and with that, the Single Market. In 2020 DNB changed its composition of structural buffers in response to the outbreak of the coronavirus and in response to the implementation of the CRD V. In a nutshell, DNB first reduced the 3% systemic buffer requirement of the three largest banks (ING, Rabobank and ABN AMRO) in order to provide additional leeway to support lending to the real economy in the midst of the corona outbreak. This reduction went hand in hand with DNB's outspoken intention to build up a 2% countercyclical capital buffer (CCyB) in the future, which would bring the capital level of these three banks back to roughly their original levels (note that the build-up of a 1% CCyB has been announced in May 2022). Later in 2020 when the CRD V was implemented, DNB (taking into account the implications of the CRD V for DNB's buffer requirements such as the additivity of the O-SII buffer and SRB) decided to abolish the SRB and to fully replace it with the O-SII buffer. This resulted in the following O-SII buffers: ING (2,5%), Rabo (2%), ABN (1,5%), Volksbank and BNG (1%). The policy actions in 2020 shifted DNB's buffer requirement composition – which heavily focussed on structural buffers – to a more balanced mix and enlarged the amount of releasable capital at DNB's disposal, which is a valuable addition given the sensitivity/volatility of the Dutch economy to external events as has also become apparent in the Corona outbreak. As of 2023, DNB started to work with a new and more advanced calibration methodology: the Equal Expected Impact (EEI) method. This economically sound method aims to equalize the expected loss of a systemically important institution to that of a non-systemically important institution by assigning the former with a higher buffer. Effectively, the higher buffer increases the loss absorbing capacity for O-SIIs and thus decreases its probability of default. By doing that the risks

these too-big-to-fail institutions pose for the financial stability are internalized. While the EEI-method comes with economically and statistically more advanced features than our previous approach, the method also relies on several assumptions and is less suitable to account for certain features (e.g. regulatory changes) which needs to be reckoned when ultimately setting the buffer requirements.

The adoption of this new calibration method while taking into account among others regulatory developments and (changes in) characteristics of the Dutch banking sector, such as a declining size to GDP (from approximately 400% in 2015 to around 280% by the end of 2022), has resulted in modification of our framework and in the following bucketing scheme:

Bucket	range in bps	O-SII buffer
1	350 - 600	0.25%
2	600 - 775	0.50%
3	775 - 1000	0.75%
4	1000 - 1275	1%
5	1275 - 1675	1.25%
6	1675 - 2150	1.50%
7	2150 - 2775	1.75%
8	2775 - 4650	2%
9	4650 - 7800	2.50%
10	7800 - max	3%

The Dutch banks are thus imposed the following requirements: ING (2%), Rabo (1,75%), ABN (1,25%), BNG (0,25%) and Volksbank (0,25%)

5. Sufficiency, consistency and non-overlap of the policy response

5.1 Sufficiency of the policy response

DNB deems the imposed buffer requirements sufficient to significantly mitigate the risks of systemic importance. The new EEI-method generates lower O-SII buffers, which implies lower systemic risk. This is in line with the decline of the size of the Dutch banking sector relative to GDP.

At the same time, relative size and concentration of the Dutch banking sector is relatively high. Therefore, it is evident that the buffers imposed by DNB have an appropriate margin above the ECB minimum floor, which is justified on the basis of still having a large and concentrated sector. Moreover, we have no signals that there is a significant unintended impact on the general economy as a result of these requirements.

5.2 Consistency of application of the policy response

DNB judges its use of the O-SII buffer to be consistent. The Dutch O-SIIs are subject to an additional capital buffer requirement, which is put in place to enhance their loss-absorption capacity. This reduces both the probability of stress events and their potential impact. In addition, the buffer is also expected to contribute in correcting potential funding subsidies for significant institutions stemming from an implicit government guarantee, so that a level playing field for small and medium-sized (non-systemic) banks is maintained. Moreover, DNB does adhere to the common principles set out in relevant legal texts (e.g. CRD Art 131 or EBA GL 2014/10) when determining the appropriate level of the O-SII buffers, thereby taking into account the level of systemic risk and national specificities such as a concentrated and large sector.

5.3 Non-overlap of the policy response

DNB sees no overlap between its O-SII buffers and other macroprudential instruments. DNB deactivated its SRB the moment the CRD V was implemented, and therefore does not see a risk of overlap between these two buffers. DNB also

	does not see an overlap between the O-SII buffer and other macroprudential requirements.
6. Cross-border and cross-sector impact of the measure	
6.1 Assessment of cross-border effects and the likely impact on the Internal Market **(Recommendation ESRB/2015/2[3])**	Assessment of the cross-border effects of implementation of the measure. Spillover channels operating via risk adjustment: We do not expect any significant and negative cross-border risk adjustments as the O-SII buffers for the banks will be decreased. This holds for adjustments with respect to cross-border credit exposures, cross-border securitisation activity and cross-border capital markets. Specifically regarding credit exposures of the Dutch O-SIIs in other Member States, we note that these are not on a level that a potential change in their lending would significantly affect the real economy in other Member States. Spillover channels operating via regulatory arbitrage: We expect that regulatory arbitrage is very limited, with non-banking activity slightly more significant than capital or liquidity regulatory arbitrage given the imposition of the O-SII buffer at the highest level of consolidation. Nevertheless, since the O-SII buffers are decreased, we do not expect that this instigates significant regulatory arbitrage behaviour. Assessment of the cross-border effects of implementation of the measure in your own jurisdiction (inward spillovers); cross-border effects on other Member States and on the Single Market of the measure (outward spillovers); overall impact on the Single Market of implementation of the measure. Given that the O-SII buffers are imposed on a consolidated level, and since the buffers will be decreased after a 1 year phase-in period, we do not expect *inward* or *outward spillovers* that would create additional systemic risks. The lack of inward and outward spillovers is supported by the fact that in recent years the share of assets of foreign banks compared to total assets of the Dutch banking sector has been relatively stable and since cross-border assets of the five O-SIIs as percentage of their total assets have remained relatively stable over the past years as well.
6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	Referring to your Member State's specific characteristics, what is the scope for "leakages and regulatory arbitrage" in your own jurisdiction? Is there scope for "leakages and regulatory arbitrage" in other jurisdictions? The scope for leakages and regulatory arbitrage would be the same in our jurisdiction as in others, and it would consist of O-SII institutions taking measures to reduce their systemic importance, possibly including a shift of activities to non-regulated or other regulated entities. As noted above, given that the O-SII buffer levels will decrease, we do not expect the buffers to result in leakages or regulatory arbitrage within the Netherlands.
7. Combinations and interactions with other measures	
7.1 Combinations between G-SII and O-SII buffers **(Article 131.14)**	One of our O-SIIs is also subject to a G-SII buffer, namely: ING. The O-SII buffer is 2%, whereas the G-SII buffer is 1%. Therefore the O-SII buffer is higher.

Name of institution	O-SII buffer	G-SII buffer
ING	2%	1%

[3] Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).

7.2 Combinations with systemic risk buffers (SyRBs) **(Article 131.15 CRD)**	No, DNB currently does not impose a systemic risk buffer.
7.3 O-SII requirement for a subsidiary (Article 131.8 CRD)	DNB does currently not impose an O-SII buffer on a subsidiary of an EU parent institution which is subject to a G-SII or O-SII buffer on consolidated basis.
8. Miscellaneous	
8.1 Contact person(s)/mailbox at notifying authority	Contact person(s) (name, phone number and e-mail address) and mailbox for further inquiries. Thomas van den Berg, +31 6 29 31 78 03, t.s.van.den.berg@dnb.nl T.g.busschers@dnb.nl Ties Busschers
8.2 Any other relevant information	NA
8.3 Date of the notification	DNB notified the ESRB on 25 April 2023, and uploaded it on the Notification hub on 3th of May 2023.