

Notification template for Article 131 CRD – Other Systemically Important Institutions (O-SII)

Please send this template to

- notifications@esrb.europa.eu when notifying the ESRB;
- macropru.notifications@ecb.europa.eu when notifying the ECB;
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| 1. Notifying national authority | | | |
|---|--|--|------------------------|
| 1.1 Name of the notifying authority | National Bank of Belgium | | |
| 2. Description of the measure | | | |
| 2.1 Concerned institution or group of institutions | Institution | LEI code | |
| | 1. BNP Paribas Fortis SA/NV | KGCEPHLVVKVRZYO1T647 | |
| | 2. KBC Groep KBC Bank NV | 213800X3Q9LSAKRUWY91 6B2PBRV1FCJDMR45RZ53 | |
| | 3. Belfius Banque SA/NV | A5GWLPH3KM7YV2SFQL8 | |
| | 4. ING België NV | JLS56RAMYQZECFUF2G44 | |
| | 5. Euroclear SA/NV Euroclear Bank SA/NV | 549300CBNW05DILT6870 549300OZ46BRLZ8Y6F65 | |
| | 6. The Bank of New York Mellon SA/NV | MMYX0N4ZEZ13Z4XCG897 | |
| | 7. Investeringsmaatschappij Argenta Argenta Bank- en Verzekeringsgroep NV/SA Argenta Spaarbank SA/NV | 5493008QOCP58OLEN998 5493009ML6YX83YHC820 A6NZLYKYN1UV7VVGFX65 | |
| | 8. Axa Bank Europe SA | LSGM84136ACA92XCN876 | |
| The measure is applied on (sub)consolidated and individual level. | | | |
| 2.2 Level of the buffer applied | Institution | Buffer (in %)* | |
| | 1. BNP Paribas Fortis SA/NV | 1.50 | |
| | 2. KBC Groep KBC Bank NV | 1.50 | |
| | 3. Belfius Banque SA/NV | 1.50 | |
| | 4. ING België NV | 1.50 | |
| | 5. Euroclear SA/NV Euroclear Bank SA/NV | 0.75 | |
| | 6. The Bank of New York Mellon SA/NV | 0.75 | |
| | 7. Investeringsmaatschappij Argenta Argenta Bank- en Verzekeringsgroep NV/SA Argenta Spaarbank SA/NV | 0.75 | |
| | 8. Axa Bank Europe SA | 0.75 | |
| *Without prejudice to caps implied by CRD Art. 131(8) | | | |
| 2.3 Name of the EU ultimate parent institution | Institution | Parent institution | Parent LEI code |
| | 1. BNP Paribas Fortis SA/NV | BNP Paribas SA | R0MUW5FPU8MPRO8K5P83 |
| | 4. ING België NV | ING Groep N.V. | 549300NYKK9MWM7GGW15 |
| | 8. Axa Bank Europe SA | Groupe AXA | F5WCUMTUM4RKZ1MAIE39 |

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|--|---|-------------------------------------|----------------------------|----------------------|
| 2.4 Names of subsidiaries | Institution | Designated subsidiary | Subsidiary LEI code | |
| | 2. KBC Groep KBC Bank NV | Československá obchodní banka, a.s. | Q5BP2UEQ48R75BOTCB92 | |
| | 2. KBC Groep KBC Bank NV | Československá obchodná banka, a.s. | 52990096Q5LMCH1WU462 | |
| 3. Timing of the measure | | | | |
| 3.1 Timing of the Decision | 6 November 2017 | | | |
| 3.2 Timing of the Publication | 1 December 2017 | | | |
| 3.3 Disclosure | The list of O-SIIs with O-SII scores and associated O-SII buffer levels will be published on the NBB website. | | | |
| 3.4 Timing of Application | The intended date of activation is 1 January 2018. | | | |
| 3.5 Phasing in | Buffer (in %)* | | | |
| | Institution | From 1/1/2016 | From 1/1/2017 | From 1/1/2018 |
| | 1. BNP Paribas Fortis SA/NV | 0.50 | 1.00 | 1.50 |
| | 2. KBC Groep KBC Bank NV | 0.50 | 1.00 | 1.50 |
| | 3. Belfius Banque SA/NV | 0.50 | 1.00 | 1.50 |
| | 4. ING België NV | 0.50 | 1.00 | 1.50 |
| | 5. Euroclear SA/NV Euroclear Bank SA/NV | 0.25 | 0.50 | 0.75 |
| | 6. The Bank of New York Mellon SA/NV | 0.25 | 0.50 | 0.75 |
| | 7. Investeringsmaatschappij Argenta Argenta Bank- en Verzekeringsgroep NV/SA Argenta Spaarbank SA/NV | 0.25 | 0.50 | 0.75 |
| | 8. Axa Bank Europe SA | 0.25 | 0.50 | 0.75 |
| | *Without prejudice to caps implied by CRD Art. 131(8) | | | |
| 3.6 Review of the measure | The list of O-SIIs and their associated capital buffers will be reviewed annually. | | | |
| 4. Reason for O-SII identification and activation of the O-SII buffer | | | | |
| 4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3) | Institution | Overall score | | |
| | O-SIIs | | | |
| | 1. BNP Paribas Fortis SA/NV | 2507 | | |
| | 2. KBC Groep KBC Bank NV | 2431 | | |
| | 3. Belfius Banque SA/NV | 1613 | | |
| | 4. ING België NV | 1365 | | |
| | 5. Euroclear SA/NV Euroclear Bank SA/NV | 649 | | |
| | 6. The Bank of New York Mellon SA/NV | 421 | | |
| | 7. Investeringsmaatschappij Argenta Argenta Bank- en Verzekeringsgroep NV/SA Argenta Spaarbank SA/NV | 275 | | |
| | 8. Axa Bank Europe SA | 252 | | |

| <p>4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</p> | <ol style="list-style-type: none"> a. O-SII identification followed the EBA guidelines EBA/GL/2014/10 on the assessment of O-SIIs b. Banks with O-SII score above a threshold score of 350 basis points are automatically designated as O-SIIs. The scores are listed in 4.1. c. Optional indicators: private sector deposits from depositors in Belgium, private sector loans to recipients in Belgium. d. The optional indicators with domestic scope are more appropriate for determination of domestic systemic importance. e. The banks designated as O-SIIs on the basis of the optional indicators are deemed to have important market shares in the Belgian deposit and/or lending market (Axa and Argenta). f. All Belgian banks reporting in FINREP have been included in the identification process. g. Names and scores of all relevant entities not excluded from the identification process are reported in 4.1. h. No non-bank institutions have been included in the calculations | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|-----------------------|-----------------------|-----------------------|---------------|--|--|-----------------------------|---|--|-----------------------------|---|--|-------------------------|---|--|------------------|---|--|--|---|--|--------------------------------------|---|--|--|--|---|-----------------------|--|---|
| <p>4.3 Supervisory judgement</p> | <table border="1"> <thead> <tr> <th>Institution</th> <th>Automatic designation</th> <th>Supervisory judgement</th> </tr> </thead> <tbody> <tr> <td colspan="3">O-SIIs</td> </tr> <tr> <td>1. BNP Paribas Fortis SA/NV</td> <td>X</td> <td></td> </tr> <tr> <td>2. KBC Groep KBC Bank NV</td> <td>X</td> <td></td> </tr> <tr> <td>3. Belfius Banque SA/NV</td> <td>X</td> <td></td> </tr> <tr> <td>4. ING België NV</td> <td>X</td> <td></td> </tr> <tr> <td>5. Euroclear SA/NV Euroclear Bank SA/NV</td> <td>X</td> <td></td> </tr> <tr> <td>6. The Bank of New York Mellon SA/NV</td> <td>X</td> <td></td> </tr> <tr> <td>7. Investeringsmaatschappij Argenta Argenta Bank- en Verzekeringsgroep NV/SA Argenta Spaarbank SA/NV</td> <td></td> <td>X</td> </tr> <tr> <td>8. Axa Bank Europe SA</td> <td></td> <td>X</td> </tr> </tbody> </table> | Institution | Automatic designation | Supervisory judgement | O-SIIs | | | 1. BNP Paribas Fortis SA/NV | X | | 2. KBC Groep KBC Bank NV | X | | 3. Belfius Banque SA/NV | X | | 4. ING België NV | X | | 5. Euroclear SA/NV Euroclear Bank SA/NV | X | | 6. The Bank of New York Mellon SA/NV | X | | 7. Investeringsmaatschappij Argenta Argenta Bank- en Verzekeringsgroep NV/SA Argenta Spaarbank SA/NV | | X | 8. Axa Bank Europe SA | | X |
| Institution | Automatic designation | Supervisory judgement | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| O-SIIs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. BNP Paribas Fortis SA/NV | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. KBC Groep KBC Bank NV | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Belfius Banque SA/NV | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. ING België NV | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. Euroclear SA/NV Euroclear Bank SA/NV | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. The Bank of New York Mellon SA/NV | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7. Investeringsmaatschappij Argenta Argenta Bank- en Verzekeringsgroep NV/SA Argenta Spaarbank SA/NV | | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8. Axa Bank Europe SA | | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>4.4 Calibrating the O-SII buffer</p> | <p>The EBA scores provide a case for assigning the identified O-SIIs to two buckets. Several criteria were accounted for in the O-SII buffer calibration, among others:</p> <ul style="list-style-type: none"> - The institution's systemic importance as measured by its size and O-SII score. - Historical losses in the Belgian banking sector. - Stress test results. - Level playing field and single market considerations (with respect to O-SII buffer levels and total capital requirements for O-SIIs in other EU jurisdictions). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>4.5 Effectiveness and proportionality of measure</p> | <p>Domestic systemically important banks (D-SIBs) are banks whose failure would have an impact on the domestic financial system or real economy. The rationale for imposing capital buffers on systemically important banks (SIBs) is at least twofold. First, capital buffers reduce the probability of failure of SIBs, which may be desirable given the high economic and social cost of their failure. Second, capital buffers require SIBs to internalize externalities they impose on the financial system, and the buffers may provide incentives for SIBs to reduce their systemic importance.</p> <p>The Belgian banking sector is large (over 240% of GDP) and highly concentrated, with the four largest banks representing more than 80% of total assets and the eight identified O-SIIs over 90%.</p> <p>With sizes ranging from 5% to 72% of Belgian GDP as well as their importance in terms of</p> <ul style="list-style-type: none"> - credit provision and deposit taking for the Belgian economy - global custodian services (The Bank of New York Mellon) and activities as an International Central Securities Depository (Euroclear Bank) <p>the identified O-SIIs are banks of domestic systemic importance.</p> <p>The O-SII buffers applicable to Belgian banks were calibrated accounting for the banks' systemic importance. Banks with a higher O-SII score need to hold a higher O-SII buffer. To this end, Belgian O-SIIs were allocated to two buckets, to which a unique O-SII buffer will apply.</p> <p>Furthermore, the calibration of the O-SII buffers levels explicitly accounted for level playing field and internal</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <p>market considerations.</p> <p>Given the above considerations, the imposed level of the O-SII buffer is expected to be both effective and proportionate.</p> |
| 5. Cross-border and cross-sector impact of the measure | |
| <p>5.1 Assessment of cross-border effects and the likely impact on the internal market</p> <p>(Recommendation ESRB/2015/2)</p> | <p>The higher capital requirements following the implementation of the O-SII buffer structurally increase the resilience of Belgian systemically important banks. This positively affects the stability of the financial system and the real economy in Belgium, and with that, the internal market.</p> <p>As the O-SII buffer is applied to the Belgian systemically relevant institutions at the consolidated level, there may be an impact on individuals or companies outside Belgium through exposures of subsidiaries and branches of Belgian banks in other jurisdictions. However, we expect that this impact will be limited for several reasons.</p> <ul style="list-style-type: none"> - First, for most banks, FINREP data show that exposures in Member States other than Belgium (both in terms of total assets and loans and advances to non-financial corporations and households) generally amount to only a small fraction of these Member States' GDP. - Second, to the extent that EU parent companies and/or important subsidiaries in other Member States are subject to local G/O-SII buffer requirements, the Belgian O-SII buffer does not increase capital requirements for these exposures in these Member States. - Third, the capital levels of the banking groups are already well above the intended levels; individual bank CET1 projections show that, with the foreseen phase-in period of 3 years, they should be able to hold a sufficient margin above the requirements over the period 2015-2019. We therefore expect that banks will be able to continue developing activities to support the real economy both in Belgium and the rest of the EU. |
| <p>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p> | <p>The scope for leakages is expected to be limited for a number of reasons.</p> <ul style="list-style-type: none"> - First, the O-SII buffer is applied to the Belgian systemically relevant institutions at the consolidated level, which avoids (geographical) shifts of activities within groups. Universal banks may shift activities from the bank to the insurance part of the group. - Second, Belgian O-SIIs may restrict activities in order to reduce their systemic importance, which may entail a shift to activities to other bank or non-bank entities. However, we expect this incentive to be small, as the reduction in activities needed for the large Belgian O-SIIs in order to bring their O-SII scores down to a level that would put them in a lower bucket with a lower buffer is very large. Furthermore, possible shifts of activities also have beneficial effects if they are the result of SIBs internalizing externalities they impose on the financial system and reducing their systemic importance. - Third, the capital levels of the banking groups are already well above the intended levels; individual bank CET1 projections show that, with the foreseen phase-in period of 3 years, they should be able to hold a sufficient margin above the requirements over the period 2015-2019. We expect this to reduce incentives for regulatory arbitrage. <p>The NBB will closely monitor any of these potential leakages.</p> |
| 6. Combinations and interactions with other measures | |
| <p>6.1 Combinations between G-SII and O-SII buffers</p> <p>(Article 131.14)</p> | <p>Not applicable.</p> |

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| 6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5) | Not applicable. | | |
| 6.3 O-SII requirement for a subsidiary (Article 131.8) | Institution | Parent institution | Parent G/O-SII buffer (fully phased-in, in %) |
| | 1. BNP Paribas Fortis SA/NV | BNP Paribas SA | 1.50 |
| | 4. ING België NV | ING Groep N.V. | 2.00 |
| 6.4 Interaction with other measures | Not applicable. | | |

| 7. Miscellaneous | |
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| 7.1 Contact person(s) at notifying authority | Janet Mitchell +32 2 221 34 59 janet.mitchell@nbb.be |
| 7.2 Any other relevant information | Not applicable. |