

Formal notification of intended decision on the Other Systemically Important Institutions (O-SIIs) in Greece

Notifying national authority		
1.1	Name of the notifying authority	Bank of Greece (BoG)
1.2	Name of the macro prudential measure that is notified	O-SIIs identification and setting O-SIIs buffers
1.3	Date when the decision referred to in Article 5 of the SSMR shall be taken	The BoG intends to decide on the designated (for year 2015) O-SIIs and the corresponding O-SIIs buffers by the end of 2015.
Description of the measure		
2.1	Please provide a detailed description of the measure, including calibration and the main parameters	<p>The measure refers to the identification of the O-SIIs in Greece and to the calibration of the capital buffers for the identified institutions.</p> <p>The identification has been carried out using the criteria outlined and defined in the methodology of the EBA's Guidelines (EBA/GL/2014/10).</p> <p>We applied the mandatory indicators. The definition of the mandatory indicators in each criterion was based on FINREP data with the exception of domestic payments transactions where TARGET2 data was used.</p> <p>BoG did not use any of the optional indicators presented in Annex 2 of the EBA Guidelines.</p> <p>Institutions with a score equal or higher than 350 basis points were designated as an O-SII.</p>
2.2	Please specify the legal basis and process of implementation of the measure	<p>The identification of the O-SIIs and the O-SIIs buffers have been developed in accordance with Article 131 of Directive 2013/36/EU (CRD IV). Transposition to the Greek law of CRD IV has been carried out with Law 4261/2014 (Article 124 for the O-SIIs).</p> <p>The identification of the O-SIIs and the setting of O-SIIs buffers will be implemented by a legal binding act (BoG's Executive Committee Act).</p>

<p>2.3</p>	<p>Please describe in detail which institutions/exposures will be covered by the measure, including whether the measure would be applied at consolidated or solo level and possible exemptions</p>	<p>The EBA methodology has been applied to compute the scores for all the institutions operating in Greece, using consolidated data in accordance with this methodology.</p> <p>For materiality reasons we excluded from our analysis the cooperative banks sector and three small commercial banks since they have negligible market shares (combined market share less than 1%).</p> <p>Following the EBA/GL/2014/10 four (4) institutions with scores equal or above 350 basis points have been identified as O-SIIs:</p> <ul style="list-style-type: none"> ○ National Bank of Greece ○ Alpha Bank ○ Piraeus Bank ○ Eurobank Ergasias <p>As the GLs do not specify a buffer calibration methodology, the BoG has developed an internal methodology designed to translate the systemic importance of the institutions into O-SII buffer.</p> <p>Taking into consideration the structure and the characteristics of the Greek banking system, the methodology is rather simple and based on clusters.</p> <p>Against this background, and taking into account the scores obtained in the December 2014 identification process, we set up five buckets as follows:</p> <ul style="list-style-type: none"> i. Bucket 1 encompasses scores from 350 to 699 basis points; ii. Bucket 2 encompasses scores from 700 to 1499 basis points; iii. Bucket 3 encompasses scores from 1500 to 1999 basis points; iv. Bucket 4 encompasses scores from 2000 to 3499 basis points; v. Bucket 5 encompasses scores > 3500 basis points; <p>Given the scores underlying each Greek O-SII, bucket 4 corresponds to all of them:</p> <p>O-SIIs distribution by buckets and respective buffers</p> <table border="1" data-bbox="722 1865 1197 1993"> <thead> <tr> <th colspan="2">Buckets</th> <th>Buffers</th> </tr> </thead> <tbody> <tr> <td>5</td> <td>>= 3500</td> <td>2.00%</td> </tr> </tbody> </table>	Buckets		Buffers	5	>= 3500	2.00%
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		<table border="1"> <tr> <td>4</td> <td>2000-3499</td> <td>1.00%</td> </tr> <tr> <td>3</td> <td>1500-1999</td> <td>0.75%</td> </tr> <tr> <td>2</td> <td>700-1499</td> <td>0.50%</td> </tr> <tr> <td>1</td> <td>350-699</td> <td>0.25%</td> </tr> </table> <p>Capital buffers are phased in the next six years, as follows:</p> <table border="1"> <thead> <tr> <th>Institutions</th> <th>1 Jan 2016</th> <th>1 Jan 2017</th> <th>1 Jan 2018</th> <th>1 Jan 2019</th> <th>1 Jan 2020</th> <th>1 Jan 2021</th> <th>1 Jan 2022</th> </tr> </thead> <tbody> <tr> <td>National Bank of Greece</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> <td>0.25%</td> <td>0.50%</td> <td>0.75%</td> <td>1.00%</td> </tr> <tr> <td>Alpha Bank</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> <td>0.25%</td> <td>0.50%</td> <td>0.75%</td> <td>1.00%</td> </tr> <tr> <td>Piraeus Bank</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> <td>0.25%</td> <td>0.50%</td> <td>0.75%</td> <td>1.00%</td> </tr> <tr> <td>Eurobank</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> <td>0.25%</td> <td>0.50%</td> <td>0.75%</td> <td>1.00%</td> </tr> </tbody> </table> <p>The additional capital requirement is calculated on the basis of the institutions' total risk exposures and must be covered by Core Equity Tier 1 capital (CET1 capital). This requirement must be fulfilled as from 1st January 2016 in line with the above phase-in.</p>	4	2000-3499	1.00%	3	1500-1999	0.75%	2	700-1499	0.50%	1	350-699	0.25%	Institutions	1 Jan 2016	1 Jan 2017	1 Jan 2018	1 Jan 2019	1 Jan 2020	1 Jan 2021	1 Jan 2022	National Bank of Greece	0.0%	0.0%	0.0%	0.25%	0.50%	0.75%	1.00%	Alpha Bank	0.0%	0.0%	0.0%	0.25%	0.50%	0.75%	1.00%	Piraeus Bank	0.0%	0.0%	0.0%	0.25%	0.50%	0.75%	1.00%	Eurobank	0.0%	0.0%	0.0%	0.25%	0.50%	0.75%	1.00%
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2.4	On what date does the measure come into force?	The intended date of activation is 1 January 2016																																																				
2.5	Until when will the measure presumably be in place or when would it be reviewed?	<p>The BoG shall review annually the identification of the O-SIIs, as per CRD IV, art. 131, par. 12, and report the result to the Commission, the ESRB and EBA and disclose the updated list of identified O-SIIs.</p> <p>According to CRD IV provisions (article 131, par.6), when requiring an O-SII buffer to be maintained, the O-SII buffer should be reviewed by the BoG at least annually.</p> <p>In case of significant restructuring processes, namely mergers and acquisitions, the calibration process should be reviewed after those processes.</p>																																																				
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3.1	<p>Please give the description of the macroprudential risk in the financial system to be addressed by the proposed macroprudential measure. Please specify the reasons why changes in the intensity of systemic risk could have serious negative consequences for financial stability at national level</p>	<p>The recent crisis has shown the failure of a systemically important institution may have severe consequences in the financial system and the real economy.</p> <p>The build-up of the O-SII buffer will increase resilience of banks and reduce moral hazard arising from the “too big to fail” issue.</p> <p>In the case of Greek Banks the four identified institutions represent 95% of the domestic market thus it is necessary to introduce positive O-SII capital buffers for all of them.</p>
3.2	<p>Please describe the indicators on the basis of which the measure is to be activated. Please provide the data the decision is based on (preferably an Excel-file)</p>	<p>The identification is carried out using the EBA Guidelines (EBA/GL/2014/10). Institutions with a score equal or higher than 350 basis points were designated as O-SIIs.</p> <p>The scores per bank and category can be found in the ANNEX.</p>
3.3	<p>If applying a measure under Article 133 CRD or 458 CRR, please explain why the measures mentioned in Article 133(11)e and Article 458(2)c are not sufficient to adequately address the macroprudential risks identified and why the measure is deemed to be suitable, effective and proportionate to address the situation</p>	<p>Not applicable</p>
<p>Impact of the measure</p>		
4.1	<p>Please provide your assessment of the effects of the measure on the domestic banking system, the real economy and financial stability in your country</p>	<p>The higher capital requirements following the implementation of O-SII buffer will increase the resilience of systemically important banks. At the same time, the envisaged phase-in period should give O-SIIs sufficient time to adapt to the additional requirements without negative spill overs to the real economy.</p> <p>The temporal deferment in the application of buffer rates relates to the projected macroeconomic conditions, the role of the Greek banks in the revival of the economy and the need to boost</p>

		<p>lending activity.</p> <p>The phase-in period is also informed by the recent Comprehensive Assessment exercise the timeline of which expands up to December 2017 and banks are being recapitalized to cover the shortfall under the adverse scenario at a minimum hurdle rate of 8%.</p>	
4.2	Referring to your country's specific characteristics, what is the scope for "leakages" (i.e., circumvention of the measure, leakages to other financial sectors or to non-domestic institutions)?	<p>The Greek banking system is rather concentrated (4 domestic banks holding about 95% of the market) whereas is mostly oriented in domestic activities. Therefore we do not expect negative spill overs for the internal market.</p>	
4.3	Please assess the scope for cross-border spill-overs of the applied measure (including a likely impact on the EU internal market pursuant to Article 133(12) CRD or 458(2) CRR)	None	
4.4	When recognition is not mandatory, please specify whether or not it is intended to ask for recognition of the measure by other Member States and provide the reasons	N/A as this is an institution specific based measure.	
4.5	Any other relevant information, including interaction with other measures/policies	<p>Capital conservation buffer and the counter-cyclical buffer will be introduced on 1 January 2016 following the CRD IV phase-in arrangements.</p> <p>There are no G-SIIs in Greece.</p>	
Miscellaneous			
5.1	Contact person(s) at notifying authority	<p>Ioannis Tsikripis</p> <p>E-Mail : itsikripis@bankofgreece.gr</p> <p>Phone Contact: 0030 210 3205031</p>	<p>Maria Vergeti</p> <p>E-Mail : mvergeti@bankofgreece.gr</p> <p>Phone Contact: 0030 210 3205109</p>
5.2	Intended date of publication of the measure and information	<p>The intended date of activation is 1 January 2016, following a BoG's Executive Committee Act. This Act shall be published in the</p>	

	about the communication strategy of the notified measure to the market	Government Gazette of the Hellenic Republic few days following the final decision.
5.3	Any other relevant information	-

ANNEX - Scores

BANK	SIZE	IMPORTANCE			COMPLEXITY			INTERCONNECTEDNESS			Total Score
	ASSETS	DOMESTIC PAYMENTS	PRIVATE SECTOR DEPOS EU	PRIVATE SECTOR LOANS EU	OTC	CROSS LIABILITIES	CROSS CLAIMS	INTRA FINANCIAL LIABILITIES	INTRA FINANCIAL ASSETS	DEBT SECURITIES	
NBG	3.200	3.045	2.731	2.284	5.112	2.794	3.810	2.742	3.706	5.166	3.416
ALPHA BANK	2.062	2.429	2.189	2.402	1.790	2.742	1.663	1.144	2.067	2.155	2.064
ATTICA BANK	112	39	156	174	3	0	0	7	18	104	70
PIRAEUS BANK	2.530	2.094	2.907	2.908	555	1.857	2.392	2.715	1.607	1.172	2.150
EUROBANK	2.096	2.393	2.016	2.233	2.540	2.607	2.135	3.392	2.602	1.404	2.301