

The ESRB template on the O-SII and G-SII buffer¹ - Caixa Geral de Depósitos

1. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Banco de Portugal
1.2 Date when the decision referred to in Article 5 of the SSMR shall be taken.	23 November 2015
2. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Which measure do you intend to implement? - O-SII buffer on a consolidated basis, pursuant to Article 131 CRD IV
2.2 Concerned institution or group of institutions	Caixa Geral de Depósitos (LEI code: TO822O0VT80V06K0FH57)
2.3 Level of the buffer applied	What is the level of the buffer (in %) applied to the institution? - 1%
2.4 Firm level at which the buffer is applied	The buffer is set at the highest level of consolidation only.
2.5 Information on other buffers already in application	The institution is subject to the Capital Conservation Buffer set at 2.5% of RWAs as of 1 January 2016 and no other buffers apply (including the systemic risk buffer).
2.6 Annual review of the G-SII or O-SII (Articles 131.6 and 131.12)	Not applicable.
3. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII (Article 131.2)	There are no G-SIIs identified in Portugal.

¹ To be filled in and submitted for each O-SII/G-SII.

3.2 Indicators used for designation of the G-SII (Article 131.2 and 131.9)	Not applicable. Please see 3.1.
3.3 Description of the O-SII (Article 131.3)	<p>Banco de Portugal has used the identification methodology and criteria outlined in EBA Guidelines (EBA/GL/2014/10, 16 December):</p> <ul style="list-style-type: none"> - size; - importance for the economy of the EU, or relevant Member State; - significance of cross-border activities; - interconnectedness of the institution or group, with the rest of the financial system.
3.4 Indicators used for designation of the O-SII (Article 131.3)	<p>We have used the 10 indicators of the mandatory framework to identify credit institutions as O-SII.</p> <p>As a complement to the mandatory indicators, Banco de Portugal also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans), which was allocated to the “Importance (including substitutability / financial system infrastructure)” criterion. The inclusion of this optional indicator was meant to capture the financial services provided by financial institutions in the Portuguese Islands (Azores and Madeira). In fact, these regions are geographically isolated from the mainland, thus increasing the importance of assessing the role of local banks’ branches in providing financial services to those regional economies. Therefore, the total number of indicators within this criterion went up to 5, and, as a result, their respective weight has reduced from 8.33% to 5% (=25%/5) according to EBA Guidelines.</p> <p>In sum, the total indicators used were the following:</p> <ul style="list-style-type: none"> - Size: Total assets; - Importance (including substitutability / financial system infrastructure): value of domestic payments transactions (based on TARGET 2 data), private sector deposits from depositors in the EU, private sector loans to recipients in the EU. In addition, we have also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans); - Complexity / Cross-border activity: value of OTC derivatives (notional), cross-jurisdictional liabilities, cross-jurisdictional claims; - Interconnectedness: intra-financial system liabilities, intra-financial system assets, debt securities outstanding. <p>The definition of the mandatory indicators in each criterion was based on FINREP data. In the cases in which FINREP data were unavailable, proxies - taken from each bank’s financial statements (dated December 2014), supplemented by additional data available in Banco de Portugal - were used.</p> <p>Institutions with a score equal or higher than 350 basis points were designated as</p>

	<p>O-SII.</p> <p>Caixa Geral de Depósitos was identified as O-SII using only the mandatory indicators.</p>																		
<p>3.5 Calibrating the O-SII buffer</p>	<p>In order to calibrate the O-SII capital buffer for these institutions, Banco de Portugal has applied the clusters methodology. This calibration approach was also adopted by the BCBS (2013) to calibrate the buffer rates for Global Systemically Important Banks (G-SIBs) and also used by other countries that have already identified the O-SIIs and calibrated the O-SII buffer.</p> <p>Against this background, and taking into account the scores obtained in the June 2015 identification process, we set up five buckets as follows:</p> <ul style="list-style-type: none"> • Bucket 1 encompasses scores from 350 to 699 basis points; • Bucket 2 encompasses scores from 700 to 1399 basis points; • Bucket 3 encompasses scores from 1400 to 2099 basis points; • Bucket 4 encompasses scores from 2100 to 2799 basis points; • Bucket 5 encompasses scores above or equal 2800 basis points. <p>Given the scores underlying each PT O-SII, bucket 5 corresponds to an empty bucket, in the sense that no PT O-SII will be allocated to it. By considering an empty bucket, the competent authority signalizes the market and the O-SIIs that the latter could be asked to comply with a higher rate in the future if they become more systemically relevant, as presented in the following table:</p> <p>O-SIIs distribution by buckets and respective buffers</p> <table border="1" data-bbox="592 1227 1278 1653"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Buckets</u></th> <th style="text-align: center;"><u>Buffers</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">>= 2800</td> <td style="text-align: center;">2.00%</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">2100-2799</td> <td style="text-align: center;">1.00%</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">1400-2099</td> <td style="text-align: center;">0.75%</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">700-1399</td> <td style="text-align: center;">0.50%</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">350-699</td> <td style="text-align: center;">0.25%</td> </tr> </tbody> </table>		<u>Buckets</u>	<u>Buffers</u>	5	>= 2800	2.00%	4	2100-2799	1.00%	3	1400-2099	0.75%	2	700-1399	0.50%	1	350-699	0.25%
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<p>3.6 In case of O-SII: Suitability, effectiveness and proportionality of measure (Article 131.7)</p>	<p>According to Banco de Portugal, the O-SII buffer is a suitable instrument to address the macroprudential policy intermediate objective that aims at preventing the building up of systemic risks arising from misaligned incentives and moral hazard. The introduction of the O-SII buffer (by CRD IV / CRR) is thereby suggested as a risk-mitigating measure, aiming at enhancing the resilience of the financial system by imposing stricter capital requirements to banking groups identified as systemically important at the domestic level.</p> <p>As a result of the application of EBA's Guidelines to the Portuguese financial</p>																		

	<p>system, the following institutions were identified as O-SIIs (as all of them score above 350 basis points): Caixa Geral de Depósitos, Banco Comercial Português, Novo Banco, Banco BPI, Santander Totta - SGPS, Banif - Banco Internacional do Funchal and Caixa Económica Montepio Geral.</p> <p>The total assets of those institutions reached, in December 2014, 81% of the total assets of the Portuguese banking sector and represented 196% of the Portuguese GDP in June 2015, showing a clear picture of their relevance in the domestic banking system, as well as of the systemic risk that they may pose to the Portuguese economy.</p> <p>Caixa Geral de Depósitos is the largest banking group in Portugal. The total assets of this institution represented 23% of the Portuguese banking system in 31 December 2014 and 58% of GDP in 30 June 2015.</p> <p>According to its systemic importance score, Caixa Geral de Depósitos is thereby assigned to Bucket 4, which has associated a buffer rate of 1%.</p> <p>For the proposed buffer rates, results from the impact assessment do not indicate major unintended effects. Indeed, the proposed date of the entry into force of the O-SII buffer, 1 January 2017, was selected to allow sufficient time (one year) to the banking groups to adjust to the new capital requirements, i.e. the O-SII buffer and the frontloading of the Capital Conservation buffer to 2.5%, which will enter into force in 1 January 2016.</p> <p>On the contrary, the imposition of the O-SII buffer will structurally increase systemic important banks' resilience at the national level, contributing for the European financial system soundness as a whole.</p>
<p>3.7 In Case of O-SII, assessment of spillovers and likely impact on the internal market (Article 131.6)</p>	<p>The banking system in Portugal is essentially focused on the domestic market. Therefore we do not expect material negative spillovers for the internal market.</p> <p>On the contrary, the imposition of the O-SII buffer will increase systemic important banks' resilience at the national level, contributing for the European financial system soundness as a whole.</p>
<p>3.8 Assessment of leakages</p>	<p>The scope for "leakages" is limited in the sense that</p> <ul style="list-style-type: none"> • This measure will be applied on a consolidated basis. • In Portugal the non-banking part of the financial system has a relatively small dimension and we do not expect a material shift to other bank and non-bank entities.
<p>3.9 Other relevant information</p>	<p>There is no interaction with other measures.</p>
<p>4. Combinations and timing of the G-SII or O-SII notified</p>	

4.1 combinations between G-SII and OSII buffers (Article 131.14)	Not applicable.
4.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	Not applicable.
4.3 Combined buffer requirement (Article 131.16 and Article 131.17)	<p>a. Does the combined buffer requirement apply to the institution?</p> <p>The Portuguese institutions have to comply with the Capital Conservation Buffer of 2.5% as of 1 January 2016 on a consolidated and individual basis, while the identified O-SIIs have to comply with an O-SII buffer on a consolidated basis only.</p> <p>b. Is the combined buffer requirement above the sum of the buffers described in Article 131-16 and Article 131-17?</p> <p>Not applicable.</p>
4.4 O-SII requirement for a subsidiary (Article 131.8)	Not applicable.
4.5 Timing of the measure	1 January 2017
4.6 Review of the measure	The list of O-SIIs and corresponding buffers requirements will be revised at least annually, as required under CRD IV. In case of significant restructuring processes, namely mergers and acquisitions, the calibration process should be reviewed after those processes.
5. Miscellaneous	
5.1 Disclosure	<p>The intended date of publication is 1 January 2016 the latest.</p> <p>Banco de Portugal will fulfill all legal notification and publication requirements. The measure will be published on the Banco de Portugal's website (www.bportugal.pt). Moreover, concerned institutions will be informed bilaterally.</p>
5.2 Contact person(s) at notifying authority	<p>Adelaide Cavaleiro (Head of the Financial Stability Department)</p> <p>macavaleiro@portugal.pt</p> <p>00351 211597001</p> <p>Fátima Silva (Head of the Macroprudential Policy Unit)</p> <p>mfsilva@bportugal.pt</p> <p>00351 211597024</p>
5.3 Any other relevant information	

The ESRB template on the O-SII and G-SII buffer² - Banco Comercial Português

4. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Banco de Portugal
1.2 Date when the decision referred to in Article 5 of the SSMR shall be taken.	23 November 2015
5. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Which measure do you intend to implement? - O-SII buffer on a consolidated basis, pursuant to Article 131 CRD IV
2.2 Concerned institution or group of institutions	Banco Comercial Português (LEI code: JU1U6S0DG9YLT7N8ZV32)
2.3 Level of the buffer applied	What is the level of the buffer (in %) applied to the institution? - 0.75%
2.4 Firm level at which the buffer is applied	The buffer is set at the highest level of consolidation only.
2.5 Information on other buffers already in application	The institution is subject to the Capital Conservation Buffer set at 2.5% of RWAs as of 1 January 2016 and no other buffers apply (including the systemic risk buffer).
2.6 Annual review of the G-SII or O-SII (Articles 131.6 and 131.12)	Not applicable.
6. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII (Article 131.2)	There are no G-SIIs identified in Portugal.
3.2 Indicators used for designation of the G-SII (Article 131.2 and 131.9)	Not applicable. Please see 3.1.

² To be filled in and submitted for each O-SII/G-SII.

<p>3.3 Description of the O-SII (Article 131.3)</p>	<p>Banco de Portugal has used the identification methodology and criteria outlined in EBA Guidelines (EBA/GL/2014/10, 16 December):</p> <ul style="list-style-type: none"> - size; - importance for the economy of the EU, or relevant Member State; - significance of cross-border activities; - interconnectedness of the institution or group, with the rest of the financial system.
<p>3.4 Indicators used for designation of the O-SII (Article 131.3)</p>	<p>We have used the 10 indicators of the mandatory framework to identify credit institutions as O-SII.</p> <p>As a complement to the mandatory indicators, Banco de Portugal also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans), which was allocated to the “Importance (including substitutability / financial system infrastructure)” criterion. The inclusion of this optional indicator was meant to capture the financial services provided by financial institutions in the Portuguese Islands (Azores and Madeira). In fact, these regions are geographically isolated from the mainland, thus increasing the importance of assessing the role of local banks’ branches in providing financial services to those regional economies. Therefore, the total number of indicators within this criterion went up to 5, and, as a result, their respective weight has reduced from 8.33% to 5% (=25%/5) according to EBA Guidelines.</p> <p>In sum, the total indicators used were the following:</p> <ul style="list-style-type: none"> - Size: Total assets; - Importance (including substitutability / financial system infrastructure): value of domestic payments transactions (based on TARGET 2 data), private sector deposits from depositors in the EU, private sector loans to recipients in the EU. In addition, we have also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans); - Complexity / Cross-border activity: value of OTC derivatives (notional), cross-jurisdictional liabilities, cross-jurisdictional claims; - Interconnectedness: intra-financial system liabilities, intra-financial system assets, debt securities outstanding. <p>The definition of the mandatory indicators in each criterion was based on FINREP data. In the cases in which FINREP data were unavailable, proxies - taken from each bank’s financial statements (dated December 2014), supplemented by additional data available in Banco de Portugal - were used.</p> <p>Institutions with a score equal or higher than 350 basis points were designated as O-SII.</p>

	<p>Banco Comercial Português was identified as O-SII using only the mandatory indicators.</p>												
<p>3.5 Calibrating the O-SII buffer</p>	<p>In order to calibrate the O-SII capital buffer for these institutions, Banco de Portugal has applied the clusters methodology. This calibration approach was also adopted by the BCBS (2013) to calibrate the buffer rates for Global Systemically Important Banks (G-SIBs) and also used by other countries that have already identified the O-SIIs and calibrated the O-SII buffer.</p> <p>Against this background, and taking into account the scores obtained in the June 2015 identification process, we set up five buckets as follows:</p> <ul style="list-style-type: none"> • Bucket 1 encompasses scores from 350 to 699 basis points; • Bucket 2 encompasses scores from 700 to 1399 basis points; • Bucket 3 encompasses scores from 1400 to 2099 basis points; • Bucket 4 encompasses scores from 2100 to 2799 basis points; • Bucket 5 encompasses scores above or equal 2800 basis points. <p>Given the scores underlying each PT O-SII, bucket 5 corresponds to an empty bucket, in the sense that no PT O-SII will be allocated to it. By considering an empty bucket, the competent authority signals the market and the O-SIIs that the latter could be asked to comply with a higher rate in the future if they become more systemically relevant, as presented in the following table:</p> <p>O-SIIs distribution by buckets and respective buffers</p> <table border="1" data-bbox="592 1182 1278 1599"> <thead> <tr> <th style="text-align: center;"><u>Buckets</u></th> <th style="text-align: center;"><u>Buffers</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">>= 2800 2.00%</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">2100-2799 1.00%</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">1400-2099 0.75%</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">700-1399 0.50%</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">350-699 0.25%</td> </tr> </tbody> </table>	<u>Buckets</u>	<u>Buffers</u>	5	>= 2800 2.00%	4	2100-2799 1.00%	3	1400-2099 0.75%	2	700-1399 0.50%	1	350-699 0.25%
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<p>3.6 In case of O-SII: Suitability, effectiveness and proportionality of measure (Article 131.7)</p>	<p>According to Banco de Portugal, the O-SII buffer is a suitable instrument to address the macroprudential policy intermediate objective that aims at preventing the building up of systemic risks arising from misaligned incentives and moral hazard. The introduction of the O-SII buffer (by CRD IV / CRR) is thereby suggested as a risk-mitigating measure, aiming at enhancing the resilience of the financial system by imposing stricter capital requirements to banking groups identified as systemically important at the domestic level.</p> <p>As a result of the application of EBA's Guidelines to the Portuguese financial system, the following institutions were identified as O-SIIs (as all of them score above 350 basis points): Caixa Geral de Depósitos, Banco Comercial Português,</p>												

	<p>Novo Banco, Banco BPI, Santander Totta - SGPS, Banif - Banco Internacional do Funchal and Caixa Económica Montepio Geral.</p> <p>The total assets of those institutions reached, in December 2014, 81% of the total assets of the Portuguese banking sector and represented 196% of the Portuguese GDP in June 2015, showing a clear picture of their relevance in the domestic banking system, as well as of the systemic risk that they may pose to the Portuguese economy.</p> <p>Banco Comercial Português is the second largest banking group in Portugal. The total assets of this institution represented 18% of the Portuguese banking system in 31 December 2014 and 45% of GDP in 30 June 2015.</p> <p>According to its systemic importance score, Banco Comercial Português is thereby assigned to Bucket 3, which has associated a buffer rate of 0.75%.</p> <p>For the proposed buffer rates, results from the impact assessment do not indicate major unintended effects. Indeed, the proposed date of the entry into force of the O-SII buffer, 1 January 2017, was selected to allow sufficient time (one year) to the banking groups to adjust to the new capital requirements, i.e. the O-SII buffer and the frontloading of the Capital Conservation buffer to 2.5%, which will enter into force in 1 January 2016.</p> <p>On the contrary, the imposition of the O-SII buffer will structurally increase systemic important banks' resilience at the national level, contributing for the European financial system soundness as a whole.</p>
<p>3.7 In Case of O-SII, assessment of spillovers and likely impact on the internal market (Article 131.6)</p>	<p>The banking system in Portugal is essentially focused on the domestic market. Therefore we do not expect material negative spillovers for the internal market.</p> <p>On the contrary, the imposition of the O-SII buffer will increase systemic important banks' resilience at the national level, contributing for the European financial system soundness as a whole.</p>
<p>3.8 Assessment of leakages</p>	<p>The scope for "leakages" is limited in the sense that</p> <ul style="list-style-type: none"> • This measure will be applied on a consolidated basis. • In Portugal the non-banking part of the financial system has a relatively small dimension and we do not expect a material shift to other bank and non-bank entities.
<p>3.9 Other relevant information</p>	<p>There is no interaction with other measures.</p>
<p>6. Combinations and timing of the G-SII or O-SII notified</p>	

4.1 combinations between G-SII and OSII buffers (Article 131.14)	Not applicable.
6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	Not applicable.
4.3 Combined buffer requirement (Article 131.16 and Article 131.17)	<p>c. Does the combined buffer requirement apply to the institution?</p> <p>The Portuguese institutions have to comply with the Capital Conservation Buffer of 2.5% as of 1 January 2016 on a consolidated and individual basis, while the identified O-SIIs have to comply with an O-SII buffer on a consolidated basis only.</p> <p>d. Is the combined buffer requirement above the sum of the buffers described in Article 131-16 and Article 131-17?</p> <p>Not applicable.</p>
4.4 O-SII requirement for a subsidiary (Article 131.8)	Not applicable.
4.5 Timing of the measure	1 January 2017
4.6 Review of the measure	The list of O-SIIs and corresponding buffers requirements will be revised at least annually, as required under CRD IV. In case of significant restructuring processes, namely mergers and acquisitions, the calibration process should be reviewed after those processes.
7. Miscellaneous	
5.1 Disclosure	<p>The intended date of publication is 1 January 2016 the latest.</p> <p>Banco de Portugal will fulfill all legal notification and publication requirements. The measure will be published on the Banco de Portugal's website (www.bportugal.pt). Moreover, concerned institutions will be informed bilaterally.</p>
5.2 Contact person(s) at notifying authority	<p>Adelaide Cavaleiro (Head of the Financial Stability Department)</p> <p>macavaleiro@portugal.pt</p> <p>00351 211597001</p> <p>Fátima Silva (Head of the Macroprudential Policy Unit)</p> <p>mfsilva@bportugal.pt</p> <p>00351 211597024</p>
5.3 Any other relevant information	

The ESRB template on the O-SII and G-SII buffer³ - Novo Banco

7. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Banco de Portugal
1.2 Date when the decision referred to in Article 5 of the SSMR shall be taken.	23 November 2015
8. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Which measure do you intend to implement? - O-SII buffer on a consolidated basis, pursuant to Article 131 CRD IV
2.2 Concerned institution or group of institutions	Novo Banco (LEI code: 5493009W2E2YDCXY6S81)
2.3 Level of the buffer applied	What is the level of the buffer (in %) applied to the institution? - 0.75%
2.4 Firm level at which the buffer is applied	The buffer is set at the highest level of consolidation only.
2.5 Information on other buffers already in application	The institution is subject to the Capital Conservation Buffer set at 2.5% of RWAs as of 1 January 2016 and no other buffers apply (including the systemic risk buffer).
2.6 Annual review of the G-SII or O-SII (Articles 131.6 and 131.12)	Not applicable.
9. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII (Article 131.2)	There are no G-SIIs identified in Portugal.
3.2 Indicators used for designation of the G-SII (Article 131.2 and 131.9)	Not applicable. Please see 3.1.

³ To be filled in and submitted for each O-SII/G-SII.

<p>3.3 Description of the O-SII (Article 131.3)</p>	<p>Banco de Portugal has used the identification methodology and criteria outlined in EBA Guidelines (EBA/GL/2014/10, 16 December):</p> <ul style="list-style-type: none"> - size; - importance for the economy of the EU, or relevant Member State; - significance of cross-border activities; - interconnectedness of the institution or group, with the rest of the financial system.
<p>3.4 Indicators used for designation of the O-SII (Article 131.3)</p>	<p>We have used the 10 indicators of the mandatory framework to identify credit institutions as O-SII.</p> <p>As a complement to the mandatory indicators, Banco de Portugal also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans), which was allocated to the “Importance (including substitutability / financial system infrastructure)” criterion. The inclusion of this optional indicator was meant to capture the financial services provided by financial institutions in the Portuguese Islands (Azores and Madeira). In fact, these regions are geographically isolated from the mainland, thus increasing the importance of assessing the role of local banks’ branches in providing financial services to those regional economies. Therefore, the total number of indicators within this criterion went up to 5, and, as a result, their respective weight has reduced from 8.33% to 5% (=25%/5) according to EBA Guidelines.</p> <p>In sum, the total indicators used were the following:</p> <ul style="list-style-type: none"> - Size: Total assets; - Importance (including substitutability / financial system infrastructure): value of domestic payments transactions (based on TARGET 2 data), private sector deposits from depositors in the EU, private sector loans to recipients in the EU. In addition, we have also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans); - Complexity / Cross-border activity: value of OTC derivatives (notional), cross-jurisdictional liabilities, cross-jurisdictional claims; - Interconnectedness: intra-financial system liabilities, intra-financial system assets, debt securities outstanding. <p>The definition of the mandatory indicators in each criterion was based on FINREP data. In the cases in which FINREP data were unavailable, proxies - taken from each bank’s financial statements (dated December 2014), supplemented by additional data available in Banco de Portugal - were used.</p> <p>Institutions with a score equal or higher than 350 basis points were designated as O-SII.</p> <p>Novo Banco was identified as O-SII using only the mandatory indicators.</p>

3.5 Calibrating the O-SII buffer

In order to calibrate the O-SII capital buffer for these institutions, Banco de Portugal has applied the clusters methodology. This calibration approach was also adopted by the BCBS (2013) to calibrate the buffer rates for Global Systemically Important Banks (G-SIBs) and also used by other countries that have already identified the O-SIIs and calibrated the O-SII buffer.

Against this background, and taking into account the scores obtained in the June 2015 identification process, we set up five buckets as follows:

- Bucket 1 encompasses scores from 350 to 699 basis points;
- Bucket 2 encompasses scores from 700 to 1399 basis points;
- Bucket 3 encompasses scores from 1400 to 2099 basis points;
- Bucket 4 encompasses scores from 2100 to 2799 basis points;
- Bucket 5 encompasses scores above or equal 2800 basis points.

Given the scores underlying each PT O-SII, bucket 5 corresponds to an empty bucket, in the sense that no PT O-SII will be allocated to it. By considering an empty bucket, the competent authority signalizes the market and the O-SIIs that the latter could be asked to comply with a higher rate in the future if they become more systemically relevant, as presented in the following table:

O-SIIs distribution by buckets and respective buffers

	<u>Buckets</u>	<u>Buffers</u>
5	>= 2800	2.00%
4	2100-2799	1.00%
3	1400-2099	0.75%
2	700-1399	0.50%
1	350-699	0.25%

3.6 In case of O-SII: Suitability, effectiveness and proportionality of measure (Article 131.7)

According to Banco de Portugal, the O-SII buffer is a suitable instrument to address the macroprudential policy intermediate objective that aims at preventing the building up of systemic risks arising from misaligned incentives and moral hazard. The introduction of the O-SII buffer (by CRD IV / CRR) is thereby suggested as a risk-mitigating measure, aiming at enhancing the resilience of the financial system by imposing stricter capital requirements to banking groups identified as systemically important at the domestic level.

As a result of the application of EBA's Guidelines to the Portuguese financial system, the following institutions were identified as O-SIIs (as all of them score above 350 basis points): Caixa Geral de Depósitos, Banco Comercial Português,

	<p>Novo Banco, Banco BPI, Santander Totta - SGPS, Banif - Banco Internacional do Funchal and Caixa Económica Montepio Geral.</p> <p>The total assets of those institutions reached, in December 2014, 81% of the total assets of the Portuguese banking sector and represented 196% of the Portuguese GDP in June 2015, showing a clear picture of their relevance in the domestic banking system, as well as of the systemic risk that they may pose to the Portuguese economy.</p> <p>Novo Banco is the third largest banking group in Portugal. The total assets of this institution represented 14% of the Portuguese banking system in 31 December 2014 and 32% of GDP in 30 June 2015.</p> <p>According to its systemic importance score, Novo Banco is thereby assigned to Bucket 3, which has associated a buffer rate of 0.75%.</p> <p>For the proposed buffer rates, results from the impact assessment do not indicate major unintended effects. Indeed, the proposed date of the entry into force of the O-SII buffer, 1 January 2017, was selected to allow sufficient time (one year) to the banking groups to adjust to the new capital requirements, i.e. the O-SII buffer and the frontloading of the Capital Conservation buffer to 2.5%, which will enter into force in 1 January 2016.</p> <p>On the contrary, the imposition of the O-SII buffer will structurally increase systemic important banks' resilience at the national level, contributing for the European financial system soundness as a whole.</p>
<p>3.7 In Case of O-SII, assessment of spillovers and likely impact on the internal market (Article 131.6)</p>	<p>The banking system in Portugal is essentially focused on the domestic market. Therefore we do not expect material negative spillovers for the internal market.</p> <p>On the contrary, the imposition of the O-SII buffer will increase systemic important banks' resilience at the national level, contributing for the European financial system soundness as a whole.</p>
<p>3.8 Assessment of leakages</p>	<p>The scope for "leakages" is limited in the sense that</p> <ul style="list-style-type: none"> • This measure will be applied on a consolidated basis. • In Portugal the non-banking part of the financial system has a relatively small dimension and we do not expect a material shift to other bank and non-bank entities.
<p>3.9 Other relevant information</p>	<p>There is no interaction with other measures.</p>
<p>8. Combinations and timing of the G-SII or O-SII notified</p>	
<p>4.1 combinations between G-SII and OSII buffers (Article 131.14)</p>	<p>Not applicable.</p>

8.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	Not applicable.
4.3 Combined buffer requirement (Article 131.16 and Article 131.17)	<p>e. Does the combined buffer requirement apply to the institution?</p> <p>The Portuguese institutions have to comply with the Capital Conservation Buffer of 2.5% as of 1 January 2016 on a consolidated and individual basis, while the identified O-SIIs have to comply with an O-SII buffer on a consolidated basis only.</p> <p>f. Is the combined buffer requirement above the sum of the buffers described in Article 131-16 and Article 131-17?</p> <p>Not applicable.</p>
4.4 O-SII requirement for a subsidiary (Article 131.8)	Not applicable.
4.5 Timing of the measure	1 January 2017
4.6 Review of the measure	The list of O-SIIs and corresponding buffers requirements will be revised at least annually, as required under CRD IV. In case of significant restructuring processes, namely mergers and acquisitions, the calibration process should be reviewed after those processes.
9. Miscellaneous	
5.1 Disclosure	The intended date of publication is 1 January 2016 the latest. Banco de Portugal will fulfill all legal notification and publication requirements. The measure will be published on the Banco de Portugal's website (www.bportugal.pt). Moreover, concerned institutions will be informed bilaterally.
5.2 Contact person(s) at notifying authority	Adelaide Cavaleiro (Head of the Financial Stability Department) macavaleiro@portugal.pt 00351 211597001 Fátima Silva (Head of the Macroprudential Policy Unit) mfsilva@bportugal.pt 00351 211597024
5.3 Any other relevant information	

The template on the O-SII and G-SII buffer⁴ - Santander Totta - SGPS

10. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Banco de Portugal
1.2 Date when the decision referred to in Article 5 of the SSMR shall be taken.	23 November 2015
11. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Which measure do you intend to implement? - O-SII buffer on a consolidated basis, pursuant to Article 131 CRD IV
2.2 Concerned institution or group of institutions	Santander Totta - SGPS (LEI code: 5493005RLLC1P7VSVC58)
2.3 Level of the buffer applied	What is the level of the buffer (in %) applied to the institution? - 0.50%
2.4 Firm level at which the buffer is applied	The buffer is set on a sub-consolidated basis (the highest level of consolidation in Portugal), since this institution is a subsidiary of the Spanish banking group Banco Santander.
2.5 Information on other buffers already in application	The institution is subject to the Capital Conservation Buffer set at 2.5% of RWAs as of 1 January 2016 and no other buffers apply (including the systemic risk buffer).
2.6 Annual review of the G-SII or O-SII (Articles 131.6 and 131.12)	Not applicable.
12. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII (Article 131.2)	There are no G-SIIs identified in Portugal.
3.2 Indicators used for designation of the G-SII (Article 131.2 and 131.9)	Not applicable. Please see 3.1.

⁴ To be filled in and submitted for each O-SII/G-SII.

<p>3.3 Description of the O-SII (Article 131.3)</p>	<p>Banco de Portugal has used the identification methodology and criteria outlined in EBA Guidelines (EBA/GL/2014/10, 16 December):</p> <ul style="list-style-type: none"> - size; - importance for the economy of the EU, or relevant Member State; - significance of cross-border activities; - interconnectedness of the institution or group, with the rest of the financial system.
<p>3.4 Indicators used for designation of the O-SII (Article 131.3)</p>	<p>We have used the 10 indicators of the mandatory framework to identify credit institutions as O-SII.</p> <p>As a complement to the mandatory indicators, Banco de Portugal also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans), which was allocated to the “Importance (including substitutability / financial system infrastructure)” criterion. The inclusion of this optional indicator was meant to capture the financial services provided by financial institutions in the Portuguese Islands (Azores and Madeira). In fact, these regions are geographically isolated from the mainland, thus increasing the importance of assessing the role of local banks’ branches in providing financial services to those regional economies. Therefore, the total number of indicators within this criterion went up to 5, and, as a result, their respective weight has reduced from 8.33% to 5% (=25%/5) according to EBA Guidelines.</p> <p>In sum, the total indicators used were the following:</p> <ul style="list-style-type: none"> - Size: Total assets; - Importance (including substitutability / financial system infrastructure): value of domestic payments transactions (based on TARGET 2 data), private sector deposits from depositors in the EU, private sector loans to recipients in the EU. In addition, we have also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans); - Complexity / Cross-border activity: value of OTC derivatives (notional), cross-jurisdictional liabilities, cross-jurisdictional claims; - Interconnectedness: intra-financial system liabilities, intra-financial system assets, debt securities outstanding. <p>The definition of the mandatory indicators in each criterion was based on FINREP data. In the cases in which FINREP data were unavailable, proxies - taken from each bank’s financial statements (dated December 2014), supplemented by additional data available in Banco de Portugal - were used.</p> <p>Institutions with a score equal or higher than 350 basis points were designated as O-SII.</p> <p>Santander Totta – SGPS was identified as O-SII using only the mandatory indicators.</p>

<p>3.5 Calibrating the O-SII buffer</p>	<p>In order to calibrate the O-SII capital buffer for these institutions, Banco de Portugal has applied the clusters methodology. This calibration approach was also adopted by the BCBS (2013) to calibrate the buffer rates for Global Systemically Important Banks (G-SIBs) and also used by other countries that have already identified the O-SIIs and calibrated the O-SII buffer.</p> <p>Against this background, and taking into account the scores obtained in the June 2015 identification process, we set up five buckets as follows:</p> <ul style="list-style-type: none"> • Bucket 1 encompasses scores from 350 to 699 basis points; • Bucket 2 encompasses scores from 700 to 1399 basis points; • Bucket 3 encompasses scores from 1400 to 2099 basis points; • Bucket 4 encompasses scores from 2100 to 2799 basis points; • Bucket 5 encompasses scores above or equal 2800 basis points. <p>Given the scores underlying each PT O-SII, bucket 5 corresponds to an empty bucket, in the sense that no PT O-SII will be allocated to it. By considering an empty bucket, the competent authority signalizes the market and the O-SIIs that the latter could be asked to comply with a higher rate in the future if they become more systemically relevant, as presented in the following table:</p> <p>O-SIIs distribution by buckets and respective buffers</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Buckets</u></th> <th style="text-align: center;"><u>Buffers</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">>= 2800</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">2100-2799</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">1400-2099</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">700-1399</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">350-699</td> </tr> </tbody> </table>	<u>Buckets</u>	<u>Buffers</u>	5	>= 2800	4	2100-2799	3	1400-2099	2	700-1399	1	350-699
<u>Buckets</u>	<u>Buffers</u>												
5	>= 2800												
4	2100-2799												
3	1400-2099												
2	700-1399												
1	350-699												
<p>3.6 In case of O-SII: Suitability, effectiveness and proportionality of measure (Article 131.7)</p>	<p>According to Banco de Portugal, the O-SII buffer is a suitable instrument to address the macroprudential policy intermediate objective that aims at preventing the building up of systemic risks arising from misaligned incentives and moral hazard. The introduction of the O-SII buffer (by CRD IV / CRR) is thereby suggested as a risk-mitigating measure, aiming at enhancing the resilience of the financial system by imposing stricter capital requirements to banking groups identified as systemically important at the domestic level.</p> <p>As a result of the application of EBA's Guidelines to the Portuguese financial system, the following institutions were identified as O-SIIs (as all of them score above 350 basis points): Caixa Geral de Depósitos, Banco Comercial Português, Novo Banco, Banco BPI, Santander Totta - SGPS, Banif - Banco Internacional do Funchal and Caixa Económica Montepio Geral.</p> <p>The total assets of those institutions reached, in December 2014, 81% of the total</p>												

	<p>assets of the Portuguese banking sector and represented 196% of the Portuguese GDP in June 2015, showing a clear picture of their relevance in the domestic banking system, as well as of the systemic risk that they may pose to the Portuguese economy.</p> <p>Santander Totta – SGPS is one of the major banking groups in Portugal. The total assets of this institution represented 9% of the Portuguese banking system in 31 December 2014 and 21% of GDP in 30 June 2015.</p> <p>According to its systemic importance score, Santander Totta – SGPS is thereby assigned to Bucket 2, which has associated a buffer rate of 0.50%.</p> <p>For the proposed buffer rates, results from the impact assessment do not indicate major unintended effects. Indeed, the proposed date of the entry into force of the O-SII buffer, 1 January 2017, was selected to allow sufficient time (one year) to the banking groups to adjust to the new capital requirements, i.e. the O-SII buffer and the frontloading of the Capital Conservation buffer to 2.5%, which will enter into force in January 2016.</p> <p>On the contrary, the imposition of the O-SII buffer will structurally increase systemic important banks’ resilience at the national level, contributing for the European financial system soundness as a whole.</p>
<p>3.7 In Case of O-SII, assessment of spillovers and likely impact on the internal market (Article 131.6)</p>	<p>The banking system in Portugal is essentially focused on the domestic market. Therefore we do not expect material negative spillovers for the internal market.</p> <p>On the contrary, the imposition of the O-SII buffer will increase systemic important banks’ resilience at the national level, contributing for the European financial system soundness as a whole.</p>
<p>3.8 Assessment of leakages</p>	<p>The scope for “leakages” is limited in the sense that</p> <ul style="list-style-type: none"> • This measure will be applied on a consolidated basis. • In Portugal the non-banking part of the financial system has a relatively small dimension and we do not expect a material shift to other bank and non-bank entities.
<p>3.9 Other relevant information</p>	<p>There is no interaction with other measures.</p>
<p>10. Combinations and timing of the G-SII or O-SII notified</p>	
<p>4.1 Combinations between G-SII and OSII buffers (Article 131.14)</p>	<p>Not applicable. Santander Totta – SGPS on a sub-consolidated basis is subject to an O-SII buffer of 0.5% as of 1 January 2017 only.</p>
<p>10.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</p>	<p>Not applicable.</p>

<p>4.3 Combined buffer requirement (Article 131.16 and Article 131.17)</p>	<p>a. Does the combined buffer requirement apply to the institution?</p> <p>The Portuguese institutions have to comply with the Capital Conservation Buffer of 2.5% as of 1 January 2016 on a consolidated and individual basis, while the identified O-SIIs have to comply with an O-SII buffer on a consolidated basis only.</p> <p>b. Is the combined buffer requirement above the sum of the buffers described in Article 131-16 and Article 131-17?</p> <p>Taking into account that in Spain the Capital Conservation Buffer was not frontloaded, Santander Totta – SGPS complies with provisions of Article 131.16, i.e., the combined buffer requirement on an individual basis is above the buffers described in Article 131-16.</p>
<p>4.4 O-SII requirement for a subsidiary (Article 131.8)</p>	<p>Santander Totta - SGPS is a subsidiary of a Spanish parent institution. The proposed O-SII buffer (0.5% on a sub-consolidated basis as of 1 January 2017) complies with Article 131.8 of CRD IV, since the (indicative) G-SII buffer required for the same period to the Spanish parent institution is also of 0.5% (see the Financial Stability Board 2014 update of list of global systemically important banks.)</p> <p>(http://www.financialstabilityboard.org/wp-content/uploads/r_141106b.pdf).</p>
<p>4.5 Timing of the measure</p>	<p>1 January 2017</p>
<p>4.6 Review of the measure</p>	<p>The list of O-SIIs and corresponding buffers requirements will be revised at least annually, as required under CRD IV. In case of significant restructuring processes, namely mergers and acquisitions, the calibration process should be reviewed after those processes.</p>
<p>11. Miscellaneous</p>	
<p>5.1 Disclosure</p>	<p>The intended date of publication is 1 January 2016 the latest.</p> <p>Banco de Portugal will fulfill all legal notification and publication requirements. The measure will be published on the Banco de Portugal's website (www.bportugal.pt). Moreover, concerned institutions will be informed bilaterally.</p>
<p>5.2 Contact person(s) at notifying authority</p>	<p>Adelaide Cavaleiro (Head of the Financial Stability Department) macavaleiro@portugal.pt 00351 211597001</p> <p>Fátima Silva (Head of the Macroprudential Policy Unit) mfsilva@bportugal.pt 00351 211597024</p>
<p>5.3 Any other relevant information</p>	

The ESRB template on the O-SII and G-SII buffer⁵ - Banco BPI

13. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Banco de Portugal
1.2 Date when the decision referred to in Article 5 of the SSMR shall be taken.	23 November 2015
14. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Which measure do you intend to implement? - O-SII buffer on a consolidated basis, pursuant to Article 131 CRD IV
2.2 Concerned institution or group of institutions	Banco BPI (LEI code: 3DM5DPGI3W6OU6GJ4N92)
2.3 Level of the buffer applied	What is the level of the buffer (in %) applied to the institution? - 0.50%
2.4 Firm level at which the buffer is applied	The buffer is set at the highest level of consolidation only.
2.5 Information on other buffers already in application	The institution is subject to the Capital Conservation Buffer set at 2.5% of RWAs as of 1 January 2016 and no other buffers apply (including the systemic risk buffer).
2.6 Annual review of the G-SII or O-SII (Articles 131.6 and 131.12)	Not applicable.
15. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII (Article 131.2)	There are no G-SIIs identified in Portugal.
3.2 Indicators used for designation of the G-SII (Article 131.2 and 131.9)	Not applicable. Please see 3.1.

⁵ To be filled in and submitted for each O-SII/G-SII.

<p>3.3 Description of the O-SII (Article 131.3)</p>	<p>Banco de Portugal has used the identification methodology and criteria outlined in EBA Guidelines (EBA/GL/2014/10, 16 December):</p> <ul style="list-style-type: none"> - size; - importance for the economy of the EU, or relevant Member State; - significance of cross-border activities; - interconnectedness of the institution or group, with the rest of the financial system.
<p>3.4 Indicators used for designation of the O-SII (Article 131.3)</p>	<p>We have used the 10 indicators of the mandatory framework to identify credit institutions as O-SII.</p> <p>As a complement to the mandatory indicators, Banco de Portugal also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans), which was allocated to the “Importance (including substitutability / financial system infrastructure)” criterion. The inclusion of this optional indicator was meant to capture the financial services provided by financial institutions in the Portuguese Islands (Azores and Madeira). In fact, these regions are geographically isolated from the mainland, thus increasing the importance of assessing the role of local banks’ branches in providing financial services to those regional economies. Therefore, the total number of indicators within this criterion went up to 5, and, as a result, their respective weight has reduced from 8.33% to 5% (=25%/5) according to EBA Guidelines.</p> <p>In sum, the total indicators used were the following:</p> <ul style="list-style-type: none"> - Size: Total assets; - Importance (including substitutability / financial system infrastructure): value of domestic payments transactions (based on TARGET 2 data), private sector deposits from depositors in the EU, private sector loans to recipients in the EU. In addition, we have also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans); - Complexity / Cross-border activity: value of OTC derivatives (notional), cross-jurisdictional liabilities, cross-jurisdictional claims; - Interconnectedness: intra-financial system liabilities, intra-financial system assets, debt securities outstanding. <p>The definition of the mandatory indicators in each criterion was based on FINREP data. In the cases in which FINREP data were unavailable, proxies - taken from each bank’s financial statements (dated December 2014), supplemented by additional data available in Banco de Portugal - were used.</p> <p>Institutions with a score equal or higher than 350 basis points were designated as O-SII.</p> <p>Banco BPI was identified as O-SII using only the mandatory indicators.</p>
<p>3.5 Calibrating the O-SII buffer</p>	<p>In order to calibrate the O-SII capital buffer for these institutions, Banco de Portugal has applied the clusters methodology. This calibration approach was also adopted by the BCBS (2013) to calibrate the buffer rates for Global</p>

	<p>Systemically Important Banks (G-SIBs) and also used by other countries that have already identified the O-SIIs and calibrated the O-SII buffer.</p> <p>Against this background, and taking into account the scores obtained in the June 2015 identification process, we set up five buckets as follows:</p> <ul style="list-style-type: none"> • Bucket 1 encompasses scores from 350 to 699 basis points; • Bucket 2 encompasses scores from 700 to 1399 basis points; • Bucket 3 encompasses scores from 1400 to 2099 basis points; • Bucket 4 encompasses scores from 2100 to 2799 basis points; • Bucket 5 encompasses scores above or equal 2800 basis points. <p>Given the scores underlying each PT O-SII, bucket 5 corresponds to an empty bucket, in the sense that no PT O-SII will be allocated to it. By considering an empty bucket, the competent authority signals the market and the O-SIIs that the latter could be asked to comply with a higher rate in the future if they become more systemically relevant, as presented in the following table:</p> <p>O-SIIs distribution by buckets and respective buffers</p> <table border="1" data-bbox="592 891 1275 1326"> <thead> <tr> <th></th> <th><u>Buckets</u></th> <th><u>Buffers</u></th> </tr> </thead> <tbody> <tr> <td>5</td> <td>>= 2800</td> <td>2.00%</td> </tr> <tr> <td>4</td> <td>2100-2799</td> <td>1.00%</td> </tr> <tr> <td>3</td> <td>1400-2099</td> <td>0.75%</td> </tr> <tr> <td>2</td> <td>700-1399</td> <td>0.50%</td> </tr> <tr> <td>1</td> <td>350-699</td> <td>0.25%</td> </tr> </tbody> </table>		<u>Buckets</u>	<u>Buffers</u>	5	>= 2800	2.00%	4	2100-2799	1.00%	3	1400-2099	0.75%	2	700-1399	0.50%	1	350-699	0.25%
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1	350-699	0.25%																	
<p>3.6 In case of O-SII: Suitability, effectiveness and proportionality of measure (Article 131.7)</p>	<p>According to Banco de Portugal, the O-SII buffer is a suitable instrument to address the macroprudential policy intermediate objective that aims at preventing the building up of systemic risks arising from misaligned incentives and moral hazard. The introduction of the O-SII buffer (by CRD IV / CRR) is thereby suggested as a risk-mitigating measure, aiming at enhancing the resilience of the financial system by imposing stricter capital requirements to banking groups identified as systemically important at the domestic level.</p> <p>As a result of the application of EBA's Guidelines to the Portuguese financial system, the following institutions were identified as O-SIIs (as all of them score above 350 basis points): Caixa Geral de Depósitos, Banco Comercial Português, Novo Banco, Banco BPI, Santander Totta - SGPS, Banif - Banco Internacional do Funchal and Caixa Económica Montepio Geral.</p> <p>The total assets of those institutions reached, in December 2014, 81% of the total assets of the Portuguese banking sector and represented 196% of the Portuguese GDP in June 2015, showing a clear picture of their relevance in the domestic banking system, as well as of the systemic risk that they may pose to</p>																		

	<p>the Portuguese economy.</p> <p>Banco BPI is one of the major banking groups in Portugal. The total assets of this institution represented 9% of the Portuguese banking system in 31 December 2014 and 21% of GDP in 30 June 2015.</p> <p>According to its systemic importance score, Banco BPI is thereby assigned to Bucket 2, which has associated a buffer rate of 0.50%.</p> <p>For the proposed buffer rates, results from the impact assessment do not indicate major unintended effects. Indeed, the proposed date of the entry into force of the O-SII buffer, 1 January 2017, was selected to allow sufficient time (one year) to the banking groups to adjust to the new capital requirements, i.e. the O-SII buffer and the frontloading of the Capital Conservation buffer to 2.5%, which will enter into force in January 2016.</p> <p>On the contrary, the imposition of the O-SII buffer will structurally increase systemic important banks' resilience at the national level, contributing for the European financial system soundness as a whole.</p>
<p>3.7 In Case of O-SII, assessment of spillovers and likely impact on the internal market (Article 131.6)</p>	<p>The banking system in Portugal is essentially focused on the domestic market. Therefore we do not expect material negative spillovers for the internal market.</p> <p>On the contrary, the imposition of the O-SII buffer will increase systemic important banks' resilience at the national level, contributing for the European financial system soundness as a whole.</p>
<p>3.8 Assessment of leakages</p>	<p>The scope for "leakages" is limited in the sense that</p> <ul style="list-style-type: none"> • This measure will be applied on a consolidated basis. • In Portugal the non-banking part of the financial system has a relatively small dimension and we do not expect a material shift to other banks and non-bank entities.
<p>3.9 Other relevant information</p>	<p>There is no interaction with other measures.</p>
<p>12. Combinations and timing of the G-SII or O-SII notified</p>	
<p>4.1 combinations between G-SII and OSII buffers (Article 131.14)</p>	<p>Not applicable.</p>
<p>12.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</p>	<p>Not applicable.</p>
<p>4.3 Combined buffer requirement (Article 131.16 and Article</p>	<p>c. Does the combined buffer requirement apply to the institution?</p> <p>The Portuguese institutions have to comply with the Capital Conservation Buffer of 2.5% as of 1 January 2016 on a consolidated and individual basis, while the</p>

131.17)	<p>identified O-SIIs have to comply with an O-SII buffer on a consolidated basis only.</p> <p>d. Is the combined buffer requirement above the sum of the buffers described in Article 131-16 and Article 131-17?</p> <p>Not applicable.</p>
4.4 O-SII requirement for a subsidiary (Article 131.8)	Not applicable.
4.5 Timing of the measure	1 January 2017.
4.6 Review of the measure	<p>The list of O-SIIs and corresponding buffers requirements will be revised at least annually, as required under CRD IV. In case of significant restructuring processes, namely mergers and acquisitions, the calibration process should be reviewed after those processes.</p>
13. Miscellaneous	
5.1 Disclosure	<p>The intended date of publication is 1 January 2016 the latest.</p> <p>Banco de Portugal will fulfill all legal notification and publication requirements. The measure will be published on the Banco de Portugal's website (www.bportugal.pt). Moreover, concerned institutions will be informed bilaterally.</p>
5.2 Contact person(s) at notifying authority	<p>Adelaide Cavaleiro (Head of the Financial Stability Department) macavaleiro@portugal.pt 00351 211597001 Fátima Silva (Head of the Macroprudential Policy Unit) mfsilva@bportugal.pt 00351 211597024</p>
5.3 Any other relevant information	

The ESRB template on the O-SII and G-SII buffer⁶ - Banif - Banco Internacional do Funchal

16. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Banco de Portugal
1.2 Date when the decision referred to in Article 5 of the SSMR shall be taken.	23 November 2015
17. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Which measure do you intend to implement? - O-SII buffer on a consolidated basis, pursuant to Article 131 CRD IV
2.2 Concerned institution or group of institutions	Banif - Banco Internacional do Funchal (LEI code: 549300M0GN0PZIO7YH97)
2.3 Level of the buffer applied	What is the level of the buffer (in %) applied to the institution? In June 2015, Banco de Portugal has decided to include Banif in the set of banking groups identified as O-SIIs and has more recently defined a capital buffer for this institution. In the aftermath of the resolution measure applied to Banif, on 20 December 2015, Banco de Portugal decided, on 22 December 2015, to exclude Banif from the set of O-SIIs. Consequently, the underlying OSII capital buffer is not applicable anymore. In fact, under certain circumstances, such as in the case of structural changes in the financial sector, Article 3 of Notice No 4/2015 of Banco de Portugal confers to Banco de Portugal the ability to modify previous decisions taken under the aforementioned Notice. As soon as updated financial information becomes available, Banco de Portugal will proceed with the evaluation of the consequences of the recent developments in the Portuguese banking system structure and, if, based on that evaluation, a new decision on the O-SII buffer rate is taken, an adequate period of time for the banking institutions to adjust will be defined.
2.4 Firm level at which the buffer is applied	Please see 2.3.
2.5 Information on other buffers already in application	Please see 2.3.

⁶ To be filled in and submitted for each O-SII/G-SII.

2.6 Annual review of the G-SII or O-SII (Articles 131.6 and 131.12)	Not applicable.
18. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII (Article 131.2)	There are no G-SIIs identified in Portugal.
3.2 Indicators used for designation of the G-SII (Article 131.2 and 131.9)	Not applicable. Please see 3.1.
3.3 Description of the O-SII (Article 131.3)	Banco de Portugal has used the identification methodology and criteria outlined in EBA Guidelines (EBA/GL/2014/10, 16 December): <ul style="list-style-type: none"> - size; - importance for the economy of the EU, or relevant Member State; - significance of cross-border activities; - interconnectedness of the institution or group, with the rest of the financial system.
3.4 Indicators used for designation of the O-SII (Article 131.3)	<p>We have used the 10 indicators of the mandatory framework to identify credit institutions as O-SII.</p> <p>As a complement to the mandatory indicators, Banco de Portugal also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans), which was allocated to the “Importance (including substitutability / financial system infrastructure)” criterion. The inclusion of this optional indicator was meant to capture the financial services provided by financial institutions in the Portuguese Islands (Azores and Madeira). In fact, these regions are geographically isolated from the mainland, thus increasing the importance of assessing the role of local banks’ branches in providing financial services to those regional economies. Therefore, the total number of indicators within this criterion went up to 5, and, as a result, their respective weight has reduced from 8.33% to 5% (=25%/5) according to EBA Guidelines.</p> <p>In sum, the total indicators used were the following:</p> <ul style="list-style-type: none"> - Size: Total assets; - Importance (including substitutability / financial system infrastructure): value of domestic payments transactions (based on TARGET 2 data), private sector deposits from depositors in the EU, private sector loans to recipients in the EU. In addition, we have also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans);

	<ul style="list-style-type: none"> - Complexity / Cross-border activity: value of OTC derivatives (notional), cross-jurisdictional liabilities, cross-jurisdictional claims; - Interconnectedness: intra-financial system liabilities, intra-financial system assets, debt securities outstanding. <p>The definition of the mandatory indicators in each criterion was based on FINREP data. In the cases in which FINREP data were unavailable, proxies - taken from each bank's financial statements (dated December 2014), supplemented by additional data available in Banco de Portugal - were used.</p> <p>Institutions with a score equal or higher than 350 basis points were designated as O-SII.</p> <p>Banif - Banco Internacional do Funchal was identified as O-SII using supervisory judgement, due to its importance as a financial services provider in the Portuguese Islands (the deposits market share was 45% and the loans market share was 28% in these regions in December 2014). In the aftermath of the resolution measure applied to Banif, on 20 December 2015, Banco de Portugal decided, on 22 December 2015, to exclude Banif from the set of O-SIIs.</p>												
<p>3.5 Calibrating the O-SII buffer</p>	<p>In order to calibrate the O-SII capital buffer for these institutions, Banco de Portugal has applied the clusters methodology. This calibration approach was also adopted by the BCBS (2013) to calibrate the buffer rates for Global Systemically Important Banks (G-SIBs) and also used by other countries that have already identified the O-SIIs and calibrated the O-SII buffer.</p> <p>Against this background, and taking into account the scores obtained in the June 2015 identification process, we set up five buckets as follows:</p> <ul style="list-style-type: none"> • Bucket 1 encompasses scores from 350 to 699 basis points; • Bucket 2 encompasses scores from 700 to 1399 basis points; • Bucket 3 encompasses scores from 1400 to 2099 basis points; • Bucket 4 encompasses scores from 2100 to 2799 basis points; • Bucket 5 encompasses scores above or equal 2800 basis points. <p>Given the scores underlying each PT O-SII, bucket 5 corresponds to an empty bucket, in the sense that no PT O-SII will be allocated to it. By considering an empty bucket, the competent authority signals the market and the O-SIIs that the latter could be asked to comply with a higher rate in the future if they become more systemically relevant, as presented in the following table:</p> <p>O-SIIs distribution by buckets and respective buffers</p> <table border="1" data-bbox="593 1756 1276 1998"> <thead> <tr> <th colspan="2"><u>Buckets</u></th> <th><u>Buffers</u></th> </tr> </thead> <tbody> <tr> <td>5</td> <td>>= 2800</td> <td>2.00%</td> </tr> <tr> <td>4</td> <td>2100-2799</td> <td>1.00%</td> </tr> <tr> <td>3</td> <td>1400-2099</td> <td>0.75%</td> </tr> </tbody> </table>	<u>Buckets</u>		<u>Buffers</u>	5	>= 2800	2.00%	4	2100-2799	1.00%	3	1400-2099	0.75%
<u>Buckets</u>		<u>Buffers</u>											
5	>= 2800	2.00%											
4	2100-2799	1.00%											
3	1400-2099	0.75%											

	<table border="1"> <tr> <td>2</td> <td>700-1399</td> <td>0.50%</td> </tr> <tr> <td>1</td> <td>350-699</td> <td>0.25%</td> </tr> </table>	2	700-1399	0.50%	1	350-699	0.25%
2	700-1399	0.50%					
1	350-699	0.25%					
<p>3.6 In case of O-SII: Suitability, effectiveness and proportionality of measure (Article 131.7)</p>	<p>According to Banco de Portugal, the O-SII buffer is a suitable instrument to address the macroprudential policy intermediate objective that aims at preventing the building up of systemic risks arising from misaligned incentives and moral hazard. The introduction of the O-SII buffer (by CRD IV / CRR) is thereby suggested as a risk-mitigating measure, aiming at enhancing the resilience of the financial system by imposing stricter capital requirements to banking groups identified as systemically important at the domestic level.</p> <p>As a result of the application of EBA's Guidelines to the Portuguese financial system, the following institutions were identified as O-SIIs (as all of them score above 350 basis points): Caixa Geral de Depósitos, Banco Comercial Português, Novo Banco, Banco BPI, Santander Totta - SGPS, Banif - Banco Internacional do Funchal and Caixa Económica Montepio Geral.</p> <p>The total assets of those institutions reached, in December 2014, 81% of the total assets of the Portuguese banking sector and represented 196% of the Portuguese GDP in June 2015, showing a clear picture of their relevance in the domestic banking system, as well as of the systemic risk that they may pose to the Portuguese economy.</p> <p>The total assets of Banif - Banco Internacional do Funchal represented 3% of the Portuguese banking system in December 2014 and 7% of GDP in June 2015.</p> <p>In the aftermath of the resolution measure applied to Banif, on 20 December 2015, Banco de Portugal decided, on 22 December 2015, to exclude Banif from the set of O-SIIs. Consequently, the underlying OSII capital buffer is not applicable anymore. In fact, under certain circumstances, such as in the case of structural changes in the financial sector, Article 3 of Notice No 4/2015 of Banco de Portugal confers to Banco de Portugal the ability to modify previous decisions taken under the aforementioned Notice. As soon as updated financial information becomes available, Banco de Portugal will proceed with the evaluation of the consequences of the recent developments on the Portuguese banking system structure and, if, based on that evaluation, a new decision on the O-SII buffer rate is taken, an adequate period of time for the banking institutions to adjust will be defined.</p>						
<p>3.7 In Case of O-SII, assessment of spillovers and likely impact on the internal market (Article 131.6)</p>	<p>The banking system in Portugal is essentially focused on the domestic market. Therefore we do not expect material negative spillovers for the internal market.</p> <p>On the contrary, the imposition of the O-SII buffer will increase systemic important banks' resilience at the national level, contributing for the European</p>						

	financial system soundness as a whole.
3.8 Assessment of leakages	<p>The scope for “leakages” is limited in the sense that</p> <ul style="list-style-type: none"> • This measure will be applied on a consolidated basis. • In Portugal the non-banking part of the financial system has a relatively small dimension and we do not expect a material shift to other bank and non-bank entities.
3.9 Other relevant information	There is no interaction with other measures.
14. Combinations and timing of the G-SII or O-SII notified	
4.1 combinations between G-SII and OSII buffers (Article 131.14)	Not applicable.
14.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	Not applicable.
4.3 Combined buffer requirement (Article 131.16 and Article 131.17)	<p>e. Does the combined buffer requirement apply to the institution? Please see 2.3.</p> <p>f. Is the combined buffer requirement above the sum of the buffers described in Article 131-16 and Article 131-17? Not applicable.</p>
4.4 O-SII requirement for a subsidiary (Article 131.8)	Not applicable.
4.5 Timing of the measure	1 January 2017
4.6 Review of the measure	The list of O-SIIs and corresponding buffers requirements will be revised at least annually, as required under CRD IV. In case of significant restructuring processes, namely mergers and acquisitions, the calibration process should be reviewed after those processes.
15. Miscellaneous	
5.1 Disclosure	<p>The intended date of publication is 1 January 2016 the latest.</p> <p>Banco de Portugal will fulfill all legal notification and publication requirements. The measure will be published on the Banco de Portugal's website</p>

	(www.bportugal.pt). Moreover, concerned institutions will be informed bilaterally.
5.2 Contact person(s) at notifying authority	<p>Adelaide Cavaleiro (Head of the Financial Stability Department) macavaleiro@portugal.pt 00351 211597001</p> <p>Fátima Silva (Head of the Macroprudential Policy Unit) mfsilva@bportugal.pt 00351 211597024</p>
5.3 Any other relevant information	

The ESRB template on the O-SII and G-SII buffer⁷ - Caixa Económica Montepio Geral

19. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Banco de Portugal
1.2 Date when the decision referred to in Article 5 of the SSMR shall be taken.	23 November 2015
20. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Which measure do you intend to implement? - O-SII buffer on a consolidated basis, pursuant to Article 131 CRD IV
2.2 Concerned institution or group of institutions	Caixa Económica Montepio Geral (LEI code: 2138004FIUXU3B2MR537)
2.3 Level of the buffer applied	What is the level of the buffer (in %) applied to the institution? - 0.25%
2.4 Firm level at which the buffer is applied	The buffer is set at the highest level of consolidation only.
2.5 Information on other buffers already in application	The institution is subject to the Capital Conservation Buffer set at 2.5% of RWAs as of 1 January 2016 and no other buffers apply (including the systemic risk buffer).
2.6 Annual review of the G-SII or O-SII (Articles 131.6 and 131.12)	Not applicable.
21. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII (Article 131.2)	There are no G-SIIs identified in Portugal.
3.2 Indicators used for designation of the G-SII (Article 131.2 and 131.9)	Not applicable. Please see 3.1.

⁷ To be filled in and submitted for each O-SII/G-SII.

<p>3.3 Description of the O-SII (Article 131.3)</p>	<p>Banco de Portugal has used the identification methodology and criteria outlined in EBA Guidelines (EBA/GL/2014/10, 16 December):</p> <ul style="list-style-type: none"> - size; - importance for the economy of the EU, or relevant Member State; - significance of cross-border activities; - interconnectedness of the institution or group, with the rest of the financial system.
<p>3.4 Indicators used for designation of the O-SII (Article 131.3)</p>	<p>We have used the 10 indicators of the mandatory framework to identify credit institutions as O-SII.</p> <p>As a complement to the mandatory indicators, Banco de Portugal also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans), which was allocated to the “Importance (including substitutability / financial system infrastructure)” criterion. The inclusion of this optional indicator was meant to capture the financial services provided by financial institutions in the Portuguese Islands (Azores and Madeira). In fact, these regions are geographically isolated from the mainland, thus increasing the importance of assessing the role of local banks’ branches in providing financial services to those regional economies. Therefore, the total number of indicators within this criterion went up to 5, and, as a result, their respective weight has reduced from 8.33% to 5% (=25%/5) according to EBA Guidelines.</p> <p>In sum, the total indicators used were the following:</p> <ul style="list-style-type: none"> - Size: Total assets; - Importance (including substitutability / financial system infrastructure): value of domestic payments transactions (based on TARGET 2 data), private sector deposits from depositors in the EU, private sector loans to recipients in the EU. In addition, we have also used an optional indicator presented in Annex 2 of EBA Guidelines: geographical breakdown of banks activities (deposits and loans); - Complexity / Cross-border activity: value of OTC derivatives (notional), cross-jurisdictional liabilities, cross-jurisdictional claims; - Interconnectedness: intra-financial system liabilities, intra-financial system assets, debt securities outstanding. <p>The definition of the mandatory indicators in each criterion was based on FINREP data. In the cases in which FINREP data were unavailable, proxies - taken from each bank’s financial statements (dated December 2014), supplemented by additional data available in Banco de Portugal - were used.</p> <p>Institutions with a score equal or higher than 350 basis points were designated as O-SII.</p> <p>Caixa Económica Montepio Geral was identified as O-SII using only the mandatory indicators.</p>

3.5 Calibrating the O-SII buffer

In order to calibrate the O-SII capital buffer for these institutions, Banco de Portugal has applied the clusters methodology. This calibration approach was also adopted by the BCBS (2013) to calibrate the buffer rates for Global Systemically Important Banks (G-SIBs) and also used by other countries that have already identified the O-SIIs and calibrated the O-SII buffer.

Against this background, and taking into account the scores obtained in the June 2015 identification process, we set up five buckets as follows:

- Bucket 1 encompasses scores from 350 to 699 basis points;
- Bucket 2 encompasses scores from 700 to 1399 basis points;
- Bucket 3 encompasses scores from 1400 to 2099 basis points;
- Bucket 4 encompasses scores from 2100 to 2799 basis points;
- Bucket 5 encompasses scores above or equal 2800 basis points.

Given the scores underlying each PT O-SII, bucket 5 corresponds to an empty bucket, in the sense that no PT O-SII will be allocated to it. By considering an empty bucket, the competent authority signalizes the market and the O-SIIs that the latter could be asked to comply with a higher rate in the future if they become more systemically relevant, as presented in the following table:

O-SIIs distribution by buckets and respective buffers

<u>Buckets</u>	<u>Buffers</u>
5	>= 2800
4	2100-2799
3	1400-2099
2	700-1399
1	350-699

3.6 In case of O-SII: Suitability, effectiveness and proportionality of measure (Article 131.7)

According to Banco de Portugal, the O-SII buffer is a suitable instrument to address the macroprudential policy intermediate objective that aims at preventing the building up of systemic risks arising from misaligned incentives and moral hazard. The introduction of the O-SII buffer (by CRD IV / CRR) is thereby suggested as a risk-mitigating measure, aiming at enhancing the resilience of the financial system by imposing stricter capital requirements to banking groups identified as systemically important at the domestic level.

As a result of the application of EBA's Guidelines to the Portuguese financial system, the following institutions were identified as O-SIIs (as all of them score above 350 basis points): Caixa Geral de Depósitos, Banco Comercial Português, Novo Banco, Banco BPI, Santander Totta - SGPS, Banif - Banco Internacional do

	<p>Funchal and Caixa Económica Montepio Geral.</p> <p>The total assets of those institutions reached, in December 2014, 81% of the total assets of the Portuguese banking sector and represented 196% of the Portuguese GDP in June 2015, showing a clear picture of their relevance in the domestic banking system, as well as of the systemic risk that they may pose to the Portuguese economy.</p> <p>The total assets of Caixa Económica Montepio Geral represented 5% of the Portuguese banking system in December 2014 and 13% of GDP in June 2015.</p> <p>According to its systemic importance score, Caixa Económica Montepio Geral is thereby assigned to Bucket 1, which has associated a buffer rate of 0.25%.</p> <p>For the proposed buffer rates, results from the impact assessment do not indicate major unintended effects. Indeed, the proposed date of the entry into force of the O-SII buffer, 1 January 2017, was selected to allow sufficient time (one year) to the banking groups to adjust to the new capital requirements, i.e. the O-SII buffer and the frontloading of the Capital Conservation buffer to 2.5%, which will enter into force in 1 January 2016.</p> <p>On the contrary, the imposition of the O-SII buffer will structurally increase systemic important banks' resilience at the national level, contributing for the European financial system soundness as a whole.</p>
<p>3.7 In Case of O-SII, assessment of spillovers and likely impact on the internal market (Article 131.6)</p>	<p>The banking system in Portugal is essentially focused on the domestic market. Therefore we do not expect material negative spillovers for the internal market.</p> <p>On the contrary, the imposition of the O-SII buffer will increase systemic important banks' resilience at the national level, contributing for the European financial system soundness as a whole.</p>
<p>3.8 Assessment of leakages</p>	<p>The scope for "leakages" is limited in the sense that</p> <ul style="list-style-type: none"> • This measure will be applied on a consolidated basis. • In Portugal the non-banking part of the financial system has a relatively small dimension and we do not expect a material shift to other bank and non-bank entities.
<p>3.9 Other relevant information</p>	<p>There is no interaction with other measures.</p>
<p>16. Combinations and timing of the G-SII or O-SII notified</p>	
<p>4.1 combinations between G-SII and OSII buffers (Article 131.14)</p>	<p>Not applicable.</p>

16.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	Not applicable.
4.3 Combined buffer requirement (Article 131.16 and Article 131.17)	<p>g. Does the combined buffer requirement apply to the institution?</p> <p>The Portuguese institutions have to comply with the Capital Conservation Buffer of 2.5% as of 1 January 2016 on a consolidated and individual basis, while the identified O-SIIs have to comply with an O-SII buffer on a consolidated basis only.</p> <p>h. Is the combined buffer requirement above the sum of the buffers described in Article 131-16 and Article 131-17?</p> <p>Not applicable.</p>
4.4 O-SII requirement for a subsidiary (Article 131.8)	Not applicable.
4.5 Timing of the measure	1 January 2017
4.6 Review of the measure	The list of O-SIIs and corresponding buffers requirements will be revised at least annually, as required under CRD IV. In case of significant restructuring processes, namely mergers and acquisitions, the calibration process should be reviewed after those processes.
17. Miscellaneous	
5.1 Disclosure	<p>The intended date of publication is 1 January 2016 the latest.</p> <p>Banco de Portugal will fulfill all legal notification and publication requirements. The measure will be published on the Banco de Portugal's website (www.bportugal.pt). Moreover, concerned institutions will be informed bilaterally.</p>
5.2 Contact person(s) at notifying authority	<p>Adelaide Cavaleiro (Head of the Financial Stability Department) macavaleiro@portugal.pt 00351 211597001</p> <p>Fátima Silva (Head of the Macroprudential Policy Unit) mfsilva@bportugal.pt 00351 211597024</p>
5.3 Any other relevant information	