

EBA BS 2015 259

3 July 2015

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

Template for notifying the EBA on the intended use of O-SII buffer

1. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Swedish Financial Supervisory Authority
2. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	O-SII buffer
2.2 Concerned institution or group of institutions	<p>On which institution is the measure applied?</p> <p>a. Name of the individual institution Nordea Bank AB, Svenska Handelsbanken AB, Swedbank AB, Skandinaviska Enskilda Banken AB</p> <p>b. Name of the parent company of the institution Same as above.</p> <p>c. Name of the subsidiaries of the institution See attachment A for Swedbank AB See attachment B for Skandinaviska Enskilda Banken AB See attachment C for Svenska Handelsbanken AB See attachment D for Nordea Bank AB.</p> <p>d. If parent institution, are subsidiaries notified as O-SII? No</p>
2.3 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs	<p>Please list here (or provide a separate excel file) the name, scores and indicator values of the identified O-SIIs</p> <p>Nordea group, score: 4 311, indicator values, see attachment E.</p> <p>Svenska Handelsbanken group, score: 1519, indicator values: see attachment E.</p> <p>Swedbank group, score: 1247, indicator values: see attachment E.</p> <p>Skandinaviska Enskilda Banken group, score: 1561, indicator values, see attachment E.</p> <p>(Please note branches are also specified in the excel file in attachment E).</p>

<p>2.4 Level of the buffer applied</p>	<p>What is the level of the buffer (in %) applied to the institution?</p> <p>The level of the buffer will be 2 % for all four institutions.</p>
<p>2.4 Firm level at which the buffer is applied</p>	<p>Is the buffer set on a:</p> <ul style="list-style-type: none"> - Consolidated level - Sub-consolidated level - Individual level <p>The buffer is set on consolidated level for all four groups.</p>
<p>2.5 Information on other buffers already in application</p>	<p>Is the institution subject to a systemic risk buffer?</p> <p>Yes, all four institutions are subject to a systemic risk buffer.</p> <p>If yes, please provide the following information:</p> <ul style="list-style-type: none"> a. What is the level of the systemic risk buffer (in %) applied to the concerned institution <p>The level of the systemic risk buffer is 3 per cent for all four institutions.</p> <ul style="list-style-type: none"> b. Is the systemic risk buffer applied to all exposures located in your Member State only? <p>No, it is applied on a consolidated level, i.e. on the total risk weighted amount of each of the four institutions.</p>
<p>2.6 Annual review of the O-SII (Articles 131.6 and 131.12)</p>	<p>This box is to specify the outcome of the annual review of the O-SII. What are the new levels?</p> <ul style="list-style-type: none"> - Change of level of O-SII buffer - Changed from O-SII to G-SII - Changed from G-SII to O-SII - Cancellation of SII buffer <p>N/A first year of identifying O-SII</p>
<p>2.7 Sound supervisory judgement</p>	<p>Have any of the institutions listed in 2.2 been identified through supervisory judgement as laid down in EBA guidelines on the assessment of O-SIIs?</p> <p>No.</p> <p>If yes, please provide an outline of the methodology used for the supervisory assessment and specify which institutions have been identified through it.</p>
<p>3. Rational for activation of the O-SII buffer</p>	

<p>3.1 Methodology and indicators used for designation of the O-SII (Article 131.3)</p>	<p>Please provide information on:</p> <ul style="list-style-type: none"> a. whether you followed the EBA guidelines on the assessment of O-SIIs Yes, we followed the EBA guidelines on the assessment of O-SIIs b. which threshold score has been set to identify O-SII The threshold score has been set at 350 c. which of the optional indicators have been used to justify supervisory assessment decisions, if any No optional indicators have been used in this years identification. d. why these optional indicators are relevant for the Member State N/A e. why the bank is systemically important in terms of those particular optional indicators N/A f. whether relevant entities with relative total assets not in excess of 0.02% have been excluded from the identification process No, they have not been excluded. g. names and scores of all relevant entities not excluded from the identification process (could be sent in a separate excel file) See excel file in attachment E.
<p>3.2 Suitability, effectiveness and proportionality of measure (Article 131.7)</p>	<p>Please provide:</p> <ul style="list-style-type: none"> a) the justification for why the O-SII buffer is considered likely to be effective and proportionate to mitigate the risk; <p>The O-SII buffer is, combined with the G-SII buffer and the SRB buffer, the three buffers that interact to mitigate systemic risks. Therefore, the whole scheme of the systemic risk buffers are considered to be effective and proportionate to mitigate the risk since the buffers will increase the resilience of the four major banks and thereby significantly decrease the risk of failure for capital adequacy reasons. A scenario where one of these banks would enter into severe distress or resolution – possibly also bringing the others down due to their strong interlinkages - would have detrimental effects on the Swedish financial system and the real economy due to the size of these banks’ assets and the scope of their operations.</p> <p>The purpose of the measure is not to change the behaviour of banks or other market participants but to ensure that the banks hold more capital and thereby are more resilient to stressed events. Any real test of whether the measure is effective will therefore not be possible until the banks face an actual distressed situation.</p> <p>We do not expect the banks or other market participants to act differently due to the measure taken. If anything, more resilient banks should help to maintain high credibility among debt investors and thereby support the banks’ access to market funding also in more distressed times. The announcement of the measure will not lead to any significant market movements.</p> <p>The banks, to which the measure applies, already hold sufficient capital to meet the systemic buffer requirement.</p>

	<p>b) an assessment of the likely positive or negative impact of the O-SII buffer on the single market, based on information which is available to the Member State.</p> <p>FI does not expect the measure to have any negative consequences on the functioning of the single market. The O-SII buffer is placed on the four major banks' total exposures, thus no difference is made based on the domicile of the exposures. The measure is motivated by the specific features of the Swedish banking system with four dominant banks that both separate and aggregated hold assets that are considerable, especially in relation to the country's GDP. Strengthening the resilience of these banks has a positive effect on the financial stability in Sweden and hence also on the single market.</p> <p>The measure could also be seen as strengthening the single market as it balances some of the benefits that large systemic banks tend to gain from. When a few banks dominate a national banking system, the risk is that the markets perceive them to be subject to some form of implicit state guarantee, especially in countries with strong fiscal positions such as Sweden. The additional capital requirements for the four large banks could be seen as somewhat reducing this competitive advantage, a measure which should be regarded as positive for the single market.</p>
<p>3.3 Assessment of likely impact on the internal market (Article 131.6)</p>	<p>Please motivate set out the assessment showing that the O-SII buffer requirement may not entail disproportionate adverse effects on the whole or parts of the financial system in other Member States or of the EU as a whole forming or creating an obstacle to the functioning of the internal market.</p> <p>See above under question 3.2 b). The assessment is that no adverse effects on the whole or parts of the financial system in other Member States or of the EU as a whole will occur and that the buffer will not create an obstacle to the functioning of the internal market.</p>

4. Combinations and timing of the O-SII notified	
4.1 Combinations between G-SII and OSII buffers (Article 131.14)	<p>In case both G-SII and O-SII criteria applied to the same institution at the consolidated level, which of the two buffers is the highest?</p> <p>The combination of the two buffers applies to Nordea. The O-SII buffer is the higher of the two.</p>
4.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	<p>a. In case an SRB was also applicable to the same institution, which of the SRB buffer or the G-SII or the O-SII buffer was the highest?</p> <p>An SRB buffer is also applicable. The SRB buffer of 3 % is the highest.</p> <p>b. Is there a possibility of accumulation with SRB?</p> <p>No. The possibilities of accumulation in article 131.15 and article 133.5 are not applicable.</p>
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>Yes</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>The combined buffer requirement will follow the rules set down in article 133.16.</p>
4.4 Timing of the measure	<p>What is the intended date of activation (i.e. as of which date shall the measure be applicable)?</p> <p>1st of January 2016</p>
4.5 Review of the measure	<p>What is the envisaged duration of the measure? What are conditions for its deactivation?</p> <p>The measure will remain in force until an annual review will lead to a different result that requires new decisions on O-SII buffer. This can trigger deactivation of the measure that has been decided the initial year of identification.</p> <p>a. How often will the O-SII buffer be reviewed (maximal periodicity of 1 year)?</p> <p>It will be reviewed once a year.</p>
5. Miscellaneous	
5.1 Disclosure	<p>Where do you disclose the O-SII buffer to the public?</p> <p>On our web-site www.fi.se</p>
5.2 Contact person(s) at notifying authority	<p>Contact person(s) for further inquiries (name, phone number and e-mail address)</p> <p>Björn Bargholtz, +46 8 787 8377, bjorn.bargholtz@fi.se</p>
5.3 Any other relevant information	<p>No.</p>