The ESRB template on the O-SII buffer

1. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Magyar Nemzeti Bank (MNB)
2. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Introduction of O-SII buffer.
2.2 Concerned institution or group of institutions	a. Name of the individual institution OTP Bank Nyrt. b. Name of the parent company of the institution - c. Name of the subsidiaries of the institution Foreign subsidiaries: OTP Banka Slovensko, OTP banka Hrvatska, OTP Bank Romania, DSK Bank EAD, OTP banka Srbija a.d., JSC OTP Bank, Joint Stock Company OTP Bank, Crnogorska Komercijalna Banka AD For a complete list, see p. 139.: https://www.otpbank.hu/static/portal/sw/file/OTP_2014_Annual_Report_full.zip d. If parent institution, are subsidiaries notified as O-SII? Until the date of filling in this notification template there is no information about subsidiaries notified as O-SII under OTP Bank Nyrt.
2.3 Level of the buffer applied	The level of buffer applied to the institution is **2%**.
2.4 Firm level at which the buffer is applied	The buffer is set on a consolidated level.
2.5 Information on other buffers already in application	Credit institutions will be subject to institution specific systemic risk buffer on a sub-consolidated basis from 1 January 2017 based on their exposure to problem project loans on 30 September 2016. Institution-specific SRB rates will be set in the range of 0 to 2 percent (steps of 0,5 percentage points).The measure is applied only to exposures located in Hungary, therefore it will be additive with the O-SII buffer rates.
2.6 Annual review of the G-SII or O-SII **(Articles 131.6 and 131.12)**	This notification provides information on the introduction of the O-SII buffer. First review will be published by 31 August 2016.
3. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII **(Article 131.2)**	-

3.2 Description of the O-SII **(Article 131.3)**	The O-SII identification was based on the methodology published by the EBA on 16 December 2014 in the Guidelines '*On the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)*'. The scoring methodology described in Title II (6-8) was carried out first applying only the mandatory indicators from group a. to d. as shown below. In a separate, additional exercise the above calculation was executed by supplementing the standard indicators with selected Optional indicators (see e. below) from Annex 2 of the Guideline. a. Size a1. Total assets b. Importance for the economy of the EU, or relevant Member State b1. Value of domestic payment transactions b2. Private sector deposits from depositors in the EU b3. Private sector loans to recipients in the EU c. Significance of cross-border activities c1. Value of OTC derivatives (notional) c2. Cross-jurisdictional liabilities c3. Cross-jurisdictional claims d. Interconnectedness of the institution or group, with the financial system d1. Intra-financial system liabilities d2. Intra-financial system assets d3. Debt securities outstanding e. Additional criteria used: Optional indicators from Annex 2: e1. Off-balance sheet items e2. Share in clearing and settlement system e3. Assets under custody e4. Interbank claims and/or liabilities e5. Market transaction volumes or values
3.3 Indicators used for designation of the G-SII **(Article 131.2 and 131.9)**	-
3.4 Indicators used for designation of the O-SII **(Article 131.3)**	All of the above indicators listed in 3.2 were used when qualifying the institutions as O-SIIs. MNB followed a two-step identification methodology in accordance with the Guideline. First, all of the institutions which scored equal or higher than 350 basis points using the 10 mandatory indicators following the standard identification methodology described in Title II (6-8) were selected. Second, a supplementary method was applied in accordance with Title III (13-14) to take into consideration the 5 Optional indicators listed above. These indicators were included in order to provide a more robust and relevant country specific representation of systemic risks in relation to systemic importance. Optional indicators have been quantitatively assessed by aggregating the indicators in a supplementary, additional

	criterion group. The group weight of the supplementary criterion group was added to the 4 criterion groups with having all the 5 criterion groups equal weighting (20 percent group weight for every mandatory and for the one supplementary group). In the supplementary criterion group weights for Optional indicators were assigned according to a sum of squares type concentration index. Higher weights were attached to the Optional indicators within which concentration was higher. In this way critical activities supplied by fewer important institutions with considerable market shares are deemed to be more important systemically. The inclusion of Optional indicators hasn't changed the set of institutions qualifying as O-SIIs under the standardized methodology, the same 9 institutions were identified. The resulting, somewhat modified scores were used for the calibration of the buffer rates.
3.5 In case of O-SII: Suitability, effectiveness and proportionality of measure **(Article 131.7)**	a) As the O-SII capital buffer enhances financial shock resilience and consequently reduces the expected probability of failure it is a suitable instrument for preventing the realization of systemic risks related to the distress and default of systemically important institutions. The increased resilience may impede the emergence of financial contagions caused by the non-performance of highly interconnected institutions; it may provide the continuity of critical financial activities after taking massive losses, because market substitution for critical financial functions in case an O-SII fails may not be feasible in the short run; also the potential burden imposed by the default of these institutions on government budget motivates the introductions of a preventive regulatory instrument (complementing the efficient recovery and resolution system in place in Hungary). O-SII buffer is efficiently focused as a targeted prudential instrument on decreasing the probability of failure and the consequent systemwide impact of those institutions which induce the greatest risk as a combination of their size, the criticality of the financial functions they provide, their highly connected positions. OTP Nyrt. has a size above one-third of the whole market, it plays a prominent role in intermediating funds to and from the real economy, it is highly interconnected through the intra-financial system and it operates with the greatest degree of cross-border complexity among important institutions. Buffer rates have been assigned to institutions proportionally by classifying O-SIIs into three groups according to their expected impact represented by their scores (see 3.4). Consequently OTP Bank Nyrt. classified into the first group is subject to an O-SII buffer rate of 2%, the members of the second group need to apply an O-SII buffer rate of 1% and in the last group an O-SII buffer rate of 0,5% is applicable. b) OTP Group has substantial cross-border activity. OTP Group's increased capitalization on a consolidated basis may improve its subsidiaries' resilience. The current capital levels of the nine O-SIIs are already adequate for the buffer. Therefore MNB expects that the introduction of the buffer will not have substantial negative impact on bank lending or on any other relevant banking activities.
3.6 In Case of O-SII, Assessment of likely impact on the internal market **(Article 131.6)**	Enhancing the financial stability of Hungary as a small and open economy with financial ties to several other EU countries contributes to the resilience of the single market as a whole. Higher levels of required own funds could facilitate long term stability for cross-border financial banking activities while they are not expected to pose a disproportionate impediment on the short run (see 3.5 b.). Therefore MNB does not expect any negative impact of the O-SII buffer on the single market.

4. Combinations and timing of the G-SII or O-SII notified	
4.1 combinations between G-SII and OSII buffers (Article 131.14)	There aren't any institutions identified as G-SII in Hungary.
4.2 Combinations with SRB buffers **(Article 131.14 + Article 133.5)**	a. The individual levels of the SRB buffer rates applicable from 1 January 2017 will be defined in the fourth quarter of 2016. (See answers to 2.5) There aren't any G-SIIs in Hungary, see 2.5 and 4.1. b. Accumulation with the SRB buffer will be possible, see 2.5.
4.3 Combined buffer requirement **(Article 131.16 and Article 131.17)**	a. Capital conservation buffer will be phased in from 1 January 2016 until 31 December 2018 according to Art. 160 (1) - (4) of Directive 2013/36/EU without shorter transitional period. The Financial Stability Board (FSB) of the MNB has yet to decide the CCB rate for Hungarian exposures, but the current state of the lending cycle does not warrant a rate higher than 0 per cent starting from 1 January, 2016. SRB will be introduced from 1 January 2017. If an O-SII will be subject to non-zero SRB rate, then the two rates are going to be additive (see 2.5). b. The combined buffer requirement will be above the sum of the buffers described in Article 131.16 and Article 131.17.
4.4 Timing of the measure	The buffers will be effective as of 1 January 2017.
4.5 Review of the measure	The O-SII buffer rates will be reviewed annually, for the first time next year by 31 August 2016.
5. Miscellaneous	
5.1 Disclosure	MNB plans to disclose the essential details of the O-SII measure, including the general decision regarding the list of O-SIIs, their scores, and the O-SII buffer rates applied to them by 30th November 2015.
5.2 Contact person(s) at notifying authority	Contact person(s) for further inquiries (name, phone number and e-mail address) **Ms. Anikó Szombati** *Director, Macroprudential Directorate* Phone: +36 (1) 428 2600/1861 Email: szombatia@mnb.hu **Mr. Péter Fáykiss** *Head of Department, Macroprudential Policy Department* Phone: +36 (1) 428 2600/2239 Email: faykissp@mnb.hu
5.3 Any other relevant information	

The ESRB template on the O-SII buffer

4. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Magyar Nemzeti Bank (MNB)
5. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Introduction of O-SII buffer.
2.2 Concerned institution or group of institutions	a. Name of the individual institution K&H Bank Zrt. b. Name of the parent company of the institution Parent company: KBC Bank N.V. c. Name of the subsidiaries of the institution The institution has no relevant foreign subsidiaries. For a complete list, see p. 104.: https://www.kh.hu/publish/kh/en/media/annual_reports/2014/k_h_bank_zrt__20140.download.pdf d. If parent institution, are subsidiaries notified as O-SII? -
2.3 Level of the buffer applied	The level of buffer applied to the institution is **1%**.
2.4 Firm level at which the buffer is applied	The buffer is set on a consolidated level (K&H Bank Zrt.).
2.5 Information on other buffers already in application	Credit institutions will be subject to institution specific systemic risk buffer on a sub-consolidated basis from 1 January 2017 based on their exposure to problem project loans on 30 September 2016. Institution-specific SRB rates will be set in the range of 0 to 2 percent (steps of 0,5 percentage points). The measure is applied only to exposures located in Hungary, therefore it will be additive with the O-SII buffer rates.
2.6 Annual review of the G-SII or O-SII **(Articles 131.6 and 131.12)**	This notification provides information on the introduction of the O-SII buffer. First review will be published by 31 August 2016.
6. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII **(Article 131.2)**	-

3.2 Description of the O-SII (Article 131.3)	The O-SII identification was based on the methodology published by the EBA on 16 December 2014 in the Guidelines '*On the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)*'. The scoring methodology described in Title II (6-8) was carried out first applying only the mandatory indicators from group a. to d. as shown below. In a separate, additional exercise the above calculation was executed by supplementing the standard indicators with selected Optional indicators (see e. below) from Annex 2 of the Guideline. a. Size a1. Total assets b. Importance for the economy of the EU, or relevant Member State b1. Value of domestic payment transactions b2. Private sector deposits from depositors in the EU b3. Private sector loans to recipients in the EU c. Significance of cross-border activities c1. Value of OTC derivatives (notional) c2. Cross-jurisdictional liabilities c3. Cross-jurisdictional claims d. Interconnectedness of the institution or group, with the financial system d1. Intra-financial system liabilities d2. Intra-financial system assets d3. Debt securities outstanding e. Additional criteria used: Optional indicators from Annex 2: e1. Off-balance sheet items e2. Share in clearing and settlement system e3. Assets under custody e4. Interbank claims and/or liabilities e5. Market transaction volumes or values
3.3 Indicators used for designation of the G-SII (Article 131.2 and 131.9)	-
3.4 Indicators used for designation of the O-SII (Article 131.3)	All of the above indicators listed in 3.2 were used when qualifying the institutions as O-SIIs. MNB followed a two-step identification methodology in accordance with the Guideline. First, all of the institutions which scored equal or higher than 350 basis points using the 10 mandatory indicators following the standard identification methodology described in Title II (6-8) were selected. Second, a supplementary method was applied in accordance with Title III (13-14) to take into consideration the 5 Optional indicators listed above. These indicators were included in order to provide a more robust and relevant country specific representation of systemic risks in relation to systemic importance. Optional

	indicators have been quantitatively assessed by aggregating the indicators in a supplementary, additional criterion group. The group weight of the supplementary criterion group was added to the 4 criterion groups with having all the 5 criterion groups equal weighting (20 percent group weight for every mandatory and for the one supplementary group). In the supplementary criterion group weights for Optional indicators were assigned according to a sum of squares type concentration index. Higher weights were attached to the Optional indicators within which concentration was higher. In this way critical activities supplied by fewer important institutions with considerable market shares are deemed to be more important systemically. The inclusion of Optional indicators hasn't changed the set of institutions qualifying as O-SIIs under the standardized methodology, the same 9 institutions were identified. The resulting, somewhat modified scores were used for the calibration of the buffer rates.
3.5 In case of O-SII: Suitability, effectiveness and proportionality of measure **(Article 131.7)**	a) As the O-SII capital buffer enhances financial shock resilience and consequently reduces the expected probability of failure it is a suitable instrument for preventing the realization of systemic risks related to the distress and default of systemically important institutions. The increased resilience may impede the emergence of financial contagions caused by the non-performance of highly interconnected institutions; it may provide the continuity of critical financial activities after taking massive losses, because market substitution for critical financial functions in case an O-SII fails may not be feasible in the short run; also the potential burden imposed by the default of these institutions on government budget motivates the introductions of a preventive regulatory instrument (complementing the efficient recovery and resolution system in place in Hungary). O-SII buffer is used as a targeted prudential instrument to efficiently decrease the probability of failure and the consequent systemwide impact of those institutions which induce the greatest risk as a combination of their size, the criticality and insufficient substitutability of the financial functions they provide, and their highly connected positions. K&H Bank Zrt. exceed the 7 percent of the total asset size of the sector, it contributes significantly to the supply of financial products and services to the real economy, it is highly interconnected with other credit institutions, and it has considerable share in financial transactions carried out through the major institutions of the domestic financial infrastructure. Buffer rates have been assigned to different institutions proportionally by classifying O-SIIs into three groups according to their expected impact represented by their scores (see 3.4). Consequently K&H Bank Zrt. classified into the second group is subject to an O-SII buffer rate of 1%, the members of the first group need to apply an O-SII buffer rate of 2% and in the third group an O-SII buffer rate of 0,5% is applicable. b) K&H Bank Zrt. is a foreign parent's subsidiary operating primarily in domestic markets, therefore the possible cross-border impact is expected to be limited. The increased resilience of the O-SIIs benefits their stakeholders in other Member States and contributes to the functioning, financial integration and harmonized regulation of the single market. The current capital levels of the nine O-SIIs are already adequate for the buffer. Therefore MNB expects that the introduction of the buffer will not

	have substantial negative impact on bank lending or on any other relevant banking activities.
3.6 In Case of O-SII, Assessment of likely impact on the internal market **(Article 131.6)**	Enhancing the financial stability of Hungary as a small and open economy with financial ties to several other EU countries contributes to the resilience of the single market as a whole. Higher levels of required own funds could facilitate long term stability for cross-border financial banking activities while they are not expected to pose a disproportionate impediment on the short run (see 3.5 b.). Therefore MNB does not expect any negative impact of the O-SII buffer on the single market.
6. Combinations and timing of the G-SII or O-SII notified	
4.1 combinations between G-SII and OSII buffers (Article 131.14)	There aren't any institutions identified as G-SII in Hungary.
6.2 Combinations with SRB buffers **(Article 131.14 + Article 133.5)**	a. The individual levels of the SRB buffer rates applicable from 1 January 2017 will be defined in the fourth quarter of 2016. (See answers to 2.5) There aren't any G-SIIs in Hungary, see 2.5 and 4.1. b. Accumulation with the SRB buffer will be possible, see 2.5.
4.3 Combined buffer requirement **(Article 131.16 and Article 131.17)**	a. Capital conservation buffer will be phased in from 1 January 2016 until 31 December 2018 according to Art. 160 (1) - (4) of Directive 2013/36/EU without shorter transitional period. The Financial Stability Board (FSB) of the MNB has yet to decide the CCB rate for Hungarian exposures, but the current state of the lending cycle does not warrant a rate higher than 0 per cent starting from 1 January, 2016. SRB will be introduced from 1 January 2017. If an O-SII will be subject to non-zero SRB rate, then the two rates are going to be additive (see 2.5). b. The combined buffer requirement will be above the sum of the buffers described in Article 131.16 and Article 131.17.
4.4 Timing of the measure	The buffers will be effective as of 1 January 2017.
4.5 Review of the measure	The O-SII buffer rates will be reviewed annually, for the first time next year by 31 August 2016.
7. Miscellaneous	
5.1 Disclosure	MNB plans to disclose the essential details of the O-SII measure, including the general decision regarding the list of O-SIIs, their scores, and the O-SII buffer rates applied to them by 30th November 2015.
5.2 Contact person(s) at notifying authority	Contact person(s) for further inquiries (name, phone number and e-mail address) **Ms. Anikó Szombati** *Director, Macroprudential Directorate* Phone: +36 (1) 428 2600/1861 Email: szombatia@mnb.hu **Mr. Péter Fáykiss** *Head of Department, Macroprudential Policy Department* Phone: +36 (1) 428 2600/2239 Email: faykissp@mnb.hu

5.3 Any other relevant information	

The ESRB template on the O-SII buffer

7. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Magyar Nemzeti Bank (MNB)
8. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Introduction of O-SII buffer.
2.2 Concerned institution or group of institutions	a. Name of the individual institution UniCredit Bank Hungary Zrt. b. Name of the parent company of the institution Parent company: UniCredit Bank Austria AG under UniCredit Group c. Name of the subsidiaries of the institution The institution has no relevant foreign subsidiaries. For a complete list, see p. 47.: https://www.unicreditbank.hu/content/dam/cee2020-pws-hu/Rolunk/UC_Annual_Report_2014.pdf d. If parent institution, are subsidiaries notified as O-SII? -
2.3 Level of the buffer applied	The level of buffer applied to the institution is **1%**.
2.4 Firm level at which the buffer is applied	The buffer is set on a consolidated level (UniCredit Bank Hungary Zrt.).
2.5 Information on other buffers already in application	Credit institutions will be subject to institution specific systemic risk buffer on a sub-consolidated basis from 1 January 2017 based on their exposure to problem project loans on 30 September 2016. Institution-specific SRB rates will be set in the range of 0 to 2 percent (steps of 0,5 percentage points). The measure is applied only to exposures located in Hungary, therefore it will be additive with the O-SII buffer rates.
2.6 Annual review of the G-SII or O-SII **(Articles 131.6 and 131.12)**	This notification provides information on the introduction of the O-SII buffer. First review will be published by 31 August 2016.
9. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII **(Article 131.2)**	-

3.2 Description of the O-SII **(Article 131.3)**	The O-SII identification was based on the methodology published by the EBA on 16 December 2014 in the Guidelines '*On the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)*'. The scoring methodology described in Title II (6-8) was carried out first applying only the mandatory indicators from group a. to d. as shown below. In a separate, additional exercise the above calculation was executed by supplementing the standard indicators with selected Optional indicators (see e. below) from Annex 2 of the Guideline. a. Size a1. Total assets b. Importance for the economy of the EU, or relevant Member State b1. Value of domestic payment transactions b2. Private sector deposits from depositors in the EU b3. Private sector loans to recipients in the EU c. Significance of cross-border activities c1. Value of OTC derivatives (notional) c2. Cross-jurisdictional liabilities c3. Cross-jurisdictional claims d. Interconnectedness of the institution or group, with the financial system d1. Intra-financial system liabilities d2. Intra-financial system assets d3. Debt securities outstanding e. Additional criteria used: Optional indicators from Annex 2: e1. Off-balance sheet items e2. Share in clearing and settlement system e3. Assets under custody e4. Interbank claims and/or liabilities e5. Market transaction volumes or values
3.3 Indicators used for designation of the G-SII **(Article 131.2 and 131.9)**	-
3.4 Indicators used for designation of the O-SII **(Article 131.3)**	All of the above indicators listed in 3.2 were used when qualifying the institutions as O-SIIs. MNB followed a two-step identification methodology in accordance with the Guideline. First, all of the institutions which scored equal or higher than 350 basis points using the 10 mandatory indicators following the standard identification methodology described in Title II (6-8) were selected. Second, a supplementary method was applied in accordance with Title III (13-14) to take into consideration the 5 Optional indicators listed above. These indicators were included in order to provide a more robust and relevant country specific representation of systemic risks in relation to systemic importance. Optional

	indicators have been quantitatively assessed by aggregating the indicators in a supplementary, additional criterion group. The group weight of the supplementary criterion group was added to the 4 criterion groups with having all the 5 criterion groups equal weighting (20 percent group weight for every mandatory and for the one supplementary group). In the supplementary criterion group weights for Optional indicators were assigned according to a sum of squares type concentration index. Higher weights were attached to the Optional indicators within which concentration was higher. In this way critical activities supplied by fewer important institutions with considerable market shares are deemed to be more important systemically. The inclusion of Optional indicators hasn't changed the set of institutions qualifying as O-SIIs under the standardized methodology, the same 9 institutions were identified. The resulting, somewhat modified scores were used for the calibration of the buffer rates.
3.5 In case of O-SII: Suitability, effectiveness and proportionality of measure **(Article 131.7)**	a) As the O-SII capital buffer enhances financial shock resilience and consequently reduces the expected probability of failure it is a suitable instrument for preventing the realization of systemic risks related to the distress and default of systemically important institutions. The increased resilience may impede the emergence of financial contagions caused by the non-performance of highly interconnected institutions; it may provide the continuity of critical financial activities after taking massive losses, because market substitution for critical financial functions in case an O-SII fails may not be feasible in the short run; also the potential burden imposed by the default of these institutions on government budget motivates the introductions of a preventive regulatory instrument (complementing the efficient recovery and resolution system in place in Hungary). O-SII buffer is used as a targeted prudential instrument to efficiently decrease the probability of failure and the consequent systemwide impact of those institutions which induce the greatest risk as a combination of their size, the criticality and insufficient substitutability of the financial functions they provide, and their highly connected positions. UniCredit Bank Hungary Zrt. exceed the 7 percent of the total asset size of the sector, it contributes significantly to the supply of financial products and services to the real economy, it is highly interconnected with other credit institutions, and it has considerable share in financial transactions carried out through the major institutions of the domestic financial infrastructure. Buffer rates have been assigned to different institutions proportionally by classifying O-SIIs into three groups according to their expected impact represented by their scores (see 3.4). Consequently UniCredit Bank Hungary Zrt. classified into the second group is subject to an O-SII buffer rate of 1%, the members of the first group need to apply an O-SII buffer rate of 2% and in the third group an O-SII buffer rate of 0,5% is applicable. b) UniCredit Bank Hungary Zrt. is a foreign parent's subsidiary operating primarily in domestic markets, therefore the possible cross-border impact is expected to be limited. The increased resilience of the O-SIIs benefits their stakeholders in other Member States and contributes to the functioning, financial integration and harmonized regulation of the single market. The current capital levels of the nine O-SIIs are already adequate for the

	buffer. Therefore MNB expects that the introduction of the buffer will not have substantial negative impact on bank lending or on any other relevant banking activities.
3.6 In Case of O-SII, Assessment of likely impact on the internal market **(Article 131.6)**	Enhancing the financial stability of Hungary as a small and open economy with financial ties to several other EU countries contributes to the resilience of the single market as a whole. Higher levels of required own funds could facilitate long term stability for cross-border financial banking activities while they are not expected to pose a disproportionate impediment on the short run (see 3.5 b.). Therefore MNB does not expect any negative impact of the O-SII buffer on the single market.
8. Combinations and timing of the G-SII or O-SII notified	
4.1 combinations between G-SII and OSII buffers (Article 131.14)	There aren't any institutions identified as G-SII in Hungary.
8.2 Combinations with SRB buffers **(Article 131.14 + Article 133.5)**	a. The individual levels of the SRB buffer rates applicable from 1 January 2017 will be defined in the fourth quarter of 2016. (See answers to 2.5) There aren't any G-SIIs in Hungary, see 2.5 and 4.1. b. Accumulation with the SRB buffer will be possible, see 2.5.
4.3 Combined buffer requirement **(Article 131.16 and Article 131.17)**	a. Capital conservation buffer will be phased in from 1 January 2016 until 31 December 2018 according to Art. 160 (1) - (4) of Directive 2013/36/EU without shorter transitional period. The Financial Stability Board (FSB) of the MNB has yet to decide the CCB rate for Hungarian exposures, but the current state of the lending cycle does not warrant a rate higher than 0 per cent starting from 1 January, 2016. SRB will be introduced from 1 January 2017. If an O-SII will be subject to non-zero SRB rate, then the two rates are going to be additive (see 2.5). b. The combined buffer requirement will be above the sum of the buffers described in Article 131.16 and Article 131.17.
4.4 Timing of the measure	The buffers will be effective as of 1 January 2017.
4.5 Review of the measure	The O-SII buffer rates will be reviewed annually, for the first time next year by 31 August 2016.
9. Miscellaneous	
5.1 Disclosure	MNB plans to disclose the essential details of the O-SII measure, including the general decision regarding the list of O-SIIs, their scores, and the O-SII buffer rates applied to them by 30th November 2015.
5.2 Contact person(s) at notifying authority	Contact person(s) for further inquiries (name, phone number and e-mail address) **Ms. Anikó Szombati** *Director, Macroprudential Directorate* Phone: +36 (1) 428 2600/1861 Email: szombatia@mnb.hu **Mr. Péter Fáykiss** *Head of Department, Macroprudential Policy Department* Phone: +36 (1) 428 2600/2239 Email: faykissp@mnb.hu

5.3 Any other relevant information	The parent institution of UniCredit Bank Hungary Zrt., UniCredit Group is subject to 1% G-SII buffer from 1 January 2016.

The ESRB template on the O-SII buffer

10. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Magyar Nemzeti Bank (MNB)
11. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Introduction of O-SII buffer.
2.2 Concerned institution or group of institutions	a. Name of the individual institution Erste Bank Hungary Zrt. b. Name of the parent company of the institution Parent company: Erste Group Bank AG c. Name of the subsidiaries of the institution The institution has no relevant foreign subsidiaries. For a complete list, see pp. 32-34.: https://www.erstebank.hu/static/internet/download/erste_evesjelentes_2013_eng.pdf d. If parent institution, are subsidiaries notified as O-SII? -
2.3 Level of the buffer applied	The level of buffer applied to the institution is **0,5%**.
2.4 Firm level at which the buffer is applied	The buffer is set on a consolidated level (Erste Bank Hungary Zrt.).
2.5 Information on other buffers already in application	Credit institutions will be subject to institution specific systemic risk buffer on a sub-consolidated basis from 1 January 2017 based on their exposure to problem project loans on 30 September 2016. Institution-specific SRB rates will be set in the range of 0 to 2 percent (steps of 0,5 percentage points). The measure is applied only to exposures located in Hungary, therefore it will be additive with the O-SII buffer rates.
2.6 Annual review of the G-SII or O-SII **(Articles 131.6 and 131.12)**	This notification provides information on the introduction of the O-SII buffer. First review will be published by 31 August 2016.
12. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII **(Article 131.2)**	-

3.2 Description of the O-SII **(Article 131.3)**	The O-SII identification was based on the methodology published by the EBA on 16 December 2014 in the Guidelines '*On the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)*'. The scoring methodology described in Title II (6-8) was carried out first applying only the mandatory indicators from group a. to d. as shown below. In a separate, additional exercise the above calculation was executed by supplementing the standard indicators with selected Optional indicators (see e. below) from Annex 2 of the Guideline. a. Size a1. Total assets b. Importance for the economy of the EU, or relevant Member State b1. Value of domestic payment transactions b2. Private sector deposits from depositors in the EU b3. Private sector loans to recipients in the EU c. Significance of cross-border activities c1. Value of OTC derivatives (notional) c2. Cross-jurisdictional liabilities c3. Cross-jurisdictional claims d. Interconnectedness of the institution or group, with the financial system d1. Intra-financial system liabilities d2. Intra-financial system assets d3. Debt securities outstanding e. Additional criteria used: Optional indicators from Annex 2: e1. Off-balance sheet items e2. Share in clearing and settlement system e3. Assets under custody e4. Interbank claims and/or liabilities e5. Market transaction volumes or values
3.3 Indicators used for designation of the G-SII **(Article 131.2 and 131.9)**	-
3.4 Indicators used for designation of the O-SII **(Article 131.3)**	All of the above indicators listed in 3.2 were used when qualifying the institutions as O-SIIs. MNB followed a two-step identification methodology in accordance with the Guideline. First, all of the institutions which scored equal or higher than 350 basis points using the 10 mandatory indicators following the standard identification methodology described in Title II (6-8) were selected. Second, a supplementary method was applied in accordance with Title III (13-14) to take into consideration the 5 Optional indicators listed above. These indicators were included in order to provide a more robust and relevant country specific representation of systemic risks in relation to systemic importance. Optional

	indicators have been quantitatively assessed by aggregating the indicators in a supplementary, additional criterion group. The group weight of the supplementary criterion group was added to the 4 criterion groups with having all the 5 criterion groups equal weighting (20 percent group weight for every mandatory and for the one supplementary group). In the supplementary criterion group weights for Optional indicators were assigned according to a sum of squares type concentration index. Higher weights were attached to the Optional indicators within which concentration was higher. In this way critical activities supplied by fewer important institutions with considerable market shares are deemed to be more important systemically. The inclusion of Optional indicators hasn't changed the set of institutions qualifying as O-SIIs under the standardized methodology, the same 9 institutions were identified. The resulting, somewhat modified scores were used for the calibration of the buffer rates.
3.5 In case of O-SII: Suitability, effectiveness and proportionality of measure **(Article 131.7)**	a) As the O-SII capital buffer enhances financial shock resilience and consequently reduces the expected probability of failure it is a suitable instrument for preventing the realization of systemic risks related to the distress and default of systemically important institutions. The increased resilience may impede the emergence of financial contagions caused by the non-performance of highly interconnected institutions; it may provide the continuity of critical financial activities after taking massive losses, because market substitution for critical financial functions in case an O-SII fails may not be feasible in the short run; also the potential burden imposed by the default of these institutions on government budget motivates the introductions of a preventive regulatory instrument (complementing the efficient recovery and resolution system in place in Hungary). O-SII buffer is used as a targeted prudential instrument to efficiently decrease the probability of failure and the consequent systemwide impact of those institutions which induce the greatest risk as a combination of their size, the criticality and insufficient substitutability of the financial functions they provide, and their highly connected positions. Erste Bank Hungary Zrt. exceed the 6 percent of the total asset size of the sector, it contributes significantly to the supply of financial products and services to the real economy, it is highly interconnected with other credit institutions, and it has considerable share in financial transactions carried out through the major institutions of the domestic financial infrastructure. Buffer rates have been assigned to different institutions proportionally by classifying O-SIIs into three groups according to their expected impact represented by their scores (see 3.4). Consequently Erste Bank Hungary Zrt. classified into the third group is subject to an O-SII buffer rate of 0,5%, the members of the first group need to apply an O-SII buffer rate of 2% and in the second group an O-SII buffer rate of 1% is applicable. b) Erste Bank Hungary Zrt. is a foreign parent's subsidiary operating primarily in domestic markets, therefore the possible cross-border impact is expected to be limited. The increased resilience of the O-SIIs benefits their stakeholders in other Member States and contributes to the functioning, financial integration and harmonized regulation of the single market. The current capital levels of the nine O-SIIs are already adequate for the

	buffer. Therefore MNB expects that the introduction of the buffer will not have substantial negative impact on bank lending or on any other relevant banking activities.
3.6 In Case of O-SII, Assessment of likely impact on the internal market **(Article 131.6)**	Enhancing the financial stability of Hungary as a small and open economy with financial ties to several other EU countries contributes to the resilience of the single market as a whole. Higher levels of required own funds could facilitate long term stability for cross-border financial banking activities while they are not expected to pose a disproportionate impediment on the short run (see 3.5 b.). Therefore MNB does not expect any negative impact of the O-SII buffer on the single market.
10. Combinations and timing of the G-SII or O-SII notified	
4.1 combinations between G-SII and OSII buffers (Article 131.14)	There aren't any institutions identified as G-SII in Hungary.
10.2Combinations with SRB buffers **(Article 131.14 + Article 133.5)**	a. The individual levels of the SRB buffer rates applicable from 1 January 2017 will be defined in the fourth quarter of 2016. (See answers to 2.5) There aren't any G-SIIs in Hungary, see 2.5 and 4.1. b. Accumulation with the SRB buffer will be possible, see 2.5.
4.3 Combined buffer requirement **(Article 131.16 and Article 131.17)**	a. Capital conservation buffer will be phased in from 1 January 2016 until 31 December 2018 according to Art. 160 (1) - (4) of Directive 2013/36/EU without shorter transitional period. The Financial Stability Board (FSB) of the MNB has yet to decide the CCB rate for Hungarian exposures, but the current state of the lending cycle does not warrant a rate higher than 0 per cent starting from 1 January, 2016. SRB will be introduced from 1 January 2017. If an O-SII will be subject to non-zero SRB rate, then the two rates are going to be additive (see 2.5). b. The combined buffer requirement will be above the sum of the buffers described in Article 131.16 and Article 131.17.
4.4 Timing of the measure	The buffers will be effective as of 1 January 2017.
4.5 Review of the measure	The O-SII buffer rates will be reviewed annually, for the first time next year by 31 August 2016.
11. Miscellaneous	
5.1 Disclosure	MNB plans to disclose the essential details of the O-SII measure, including the general decision regarding the list of O-SIIs, their scores, and the O-SII buffer rates applied to them by 30th November 2015.
5.2 Contact person(s) at notifying authority	Contact person(s) for further inquiries (name, phone number and e-mail address) **Ms. Anikó Szombati** *Director, Macroprudential Directorate* Phone: +36 (1) 428 2600/1861 Email: szombatia@mnb.hu **Mr. Péter Fáykiss** *Head of Department, Macroprudential Policy Department* Phone: +36 (1) 428 2600/2239 Email: faykissp@mnb.hu

5.3 Any other relevant information	

The ESRB template on the O-SII buffer

13. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Magyar Nemzeti Bank (MNB)
14. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Introduction of O-SII buffer.
2.2 Concerned institution or group of institutions	a. Name of the individual institution Raiffeisen Bank Zrt. b. Name of the parent company of the institution Parent company: Raiffeisen Bank International AG under RZB Group. c. Name of the subsidiaries of the institution The institution has no relevant foreign subsidiaries. For a complete list, see p. 80.: https://www.raiffeisen.hu/documents/english/report/annual/raiffeisen_annual_report_2013.pdf d. If parent institution, are subsidiaries notified as O-SII? -
2.3 Level of the buffer applied	The level of buffer applied to the institution is **0,5%**.
2.4 Firm level at which the buffer is applied	The buffer is set on a consolidated level (Raiffeisen Bank Zrt.).
2.5 Information on other buffers already in application	Credit institutions will be subject to institution specific systemic risk buffer on a sub-consolidated basis from 1 January 2017 based on their exposure to problem project loans on 30 September 2016. Institution-specific SRB rates will be set in the range of 0 to 2 percent (steps of 0,5 percentage points). The measure is applied only to exposures located in Hungary, therefore it will be additive with the O-SII buffer rates.
2.6 Annual review of the G-SII or O-SII **(Articles 131.6 and 131.12)**	This notification provides information on the introduction of the O-SII buffer. First review will be published by 31 August 2016.
15. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII **(Article 131.2)**	-

3.2 Description of the O-SII (Article 131.3)	The O-SII identification was based on the methodology published by the EBA on 16 December 2014 in the Guidelines '*On the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)*'. The scoring methodology described in Title II (6-8) was carried out first applying only the mandatory indicators from group a. to d. as shown below. In a separate, additional exercise the above calculation was executed by supplementing the standard indicators with selected Optional indicators (see e. below) from Annex 2 of the Guideline. a. Size a1. Total assets b. Importance for the economy of the EU, or relevant Member State b1. Value of domestic payment transactions b2. Private sector deposits from depositors in the EU b3. Private sector loans to recipients in the EU c. Significance of cross-border activities c1. Value of OTC derivatives (notional) c2. Cross-jurisdictional liabilities c3. Cross-jurisdictional claims d. Interconnectedness of the institution or group, with the financial system d1. Intra-financial system liabilities d2. Intra-financial system assets d3. Debt securities outstanding e. Additional criteria used: Optional indicators from Annex 2: e1. Off-balance sheet items e2. Share in clearing and settlement system e3. Assets under custody e4. Interbank claims and/or liabilities e5. Market transaction volumes or values
3.3 Indicators used for designation of the G-SII (Article 131.2 and 131.9)	-
3.4 Indicators used for designation of the O-SII (Article 131.3)	All of the above indicators listed in 3.2 were used when qualifying the institutions as O-SIIs. MNB followed a two-step identification methodology in accordance with the Guideline. First, all of the institutions which scored equal or higher than 350 basis points using the 10 mandatory indicators following the standard identification methodology described in Title II (6-8) were selected. Second, a supplementary method was applied in accordance with Title III (13-14) to take into consideration the 5 Optional indicators listed above. These indicators were included in order to provide a more robust and relevant country specific representation of systemic risks in relation to systemic importance. Optional

	indicators have been quantitatively assessed by aggregating the indicators in a supplementary, additional criterion group. The group weight of the supplementary criterion group was added to the 4 criterion groups with having all the 5 criterion groups equal weighting (20 percent group weight for every mandatory and for the one supplementary group). In the supplementary criterion group weights for Optional indicators were assigned according to a sum of squares type concentration index. Higher weights were attached to the Optional indicators within which concentration was higher. In this way critical activities supplied by fewer important institutions with considerable market shares are deemed to be more important systemically. The inclusion of Optional indicators hasn't changed the set of institutions qualifying as O-SIIs under the standardized methodology, the same 9 institutions were identified. The resulting, somewhat modified scores were used for the calibration of the buffer rates.
3.5 In case of O-SII: Suitability, effectiveness and proportionality of measure **(Article 131.7)**	a) As the O-SII capital buffer enhances financial shock resilience and consequently reduces the expected probability of failure it is a suitable instrument for preventing the realization of systemic risks related to the distress and default of systemically important institutions. The increased resilience may impede the emergence of financial contagions caused by the non-performance of highly interconnected institutions; it may provide the continuity of critical financial activities after taking massive losses, because market substitution for critical financial functions in case an O-SII fails may not be feasible in the short run; also the potential burden imposed by the default of these institutions on government budget motivates the introductions of a preventive regulatory instrument (complementing the efficient recovery and resolution system in place in Hungary). O-SII buffer is used as a targeted prudential instrument to efficiently decrease the probability of failure and the consequent systemwide impact of those institutions which induce the greatest risk as a combination of their size, the criticality and insufficient substitutability of the financial functions they provide, and their highly connected positions. Raiffeisen Bank Zrt. exceed the 6 percent of the total asset size of the sector, it contributes significantly to the supply of financial products and services to the real economy, it is highly interconnected with other credit institutions, and it has considerable share in financial transactions carried out through the major institutions of the domestic financial infrastructure. Buffer rates have been assigned to different institutions proportionally by classifying O-SIIs into three groups according to their expected impact represented by their scores (see 3.4). Consequently Raiffeisen Bank Zrt. classified into the third group is subject to an O-SII buffer rate of 0,5%, the members of the first group need to apply an O-SII buffer rate of 2% and in the second group an O-SII buffer rate of 1% is applicable. b) Raiffeisen Bank Zrt. is a foreign parent's subsidiary operating primarily in domestic markets, therefore the possible cross-border impact is expected to be limited. The increased resilience of the O-SIIs benefits their stakeholders in other Member States and contributes to the functioning, financial integration and harmonized regulation of the single market. The current capital levels of the nine O-SIIs are already adequate for the buffer. Therefore MNB expects that the introduction of the buffer will not

	have substantial negative impact on bank lending or on any other relevant banking activities.
3.6 In Case of O-SII, Assessment of likely impact on the internal market **(Article 131.6)**	Enhancing the financial stability of Hungary as a small and open economy with financial ties to several other EU countries contributes to the resilience of the single market as a whole. Higher levels of required own funds could facilitate long term stability for cross-border financial banking activities while they are not expected to pose a disproportionate impediment on the short run (see 3.5 b.). Therefore MNB does not expect any negative impact of the O-SII buffer on the single market.
12. Combinations and timing of the G-SII or O-SII notified	
4.1 combinations between G-SII and OSII buffers (Article 131.14)	There aren't any institutions identified as G-SII in Hungary.
12.2Combinations with SRB buffers **(Article 131.14 + Article 133.5)**	a. The individual levels of the SRB buffer rates applicable from 1 January 2017 will be defined in the fourth quarter of 2016. (See answers to 2.5) There aren't any G-SIIs in Hungary, see 2.5 and 4.1. b. Accumulation with the SRB buffer will be possible, see 2.5.
4.3 Combined buffer requirement **(Article 131.16 and Article 131.17)**	a. Capital conservation buffer will be phased in from 1 January 2016 until 31 December 2018 according to Art. 160 (1) - (4) of Directive 2013/36/EU without shorter transitional period. The Financial Stability Board (FSB) of the MNB has yet to decide the CCB rate for Hungarian exposures, but the current state of the lending cycle does not warrant a rate higher than 0 per cent starting from 1 January, 2016. SRB will be introduced from 1 January 2017. If an O-SII will be subject to non-zero SRB rate, then the two rates are going to be additive (see 2.5). b. The combined buffer requirement will be above the sum of the buffers described in Article 131.16 and Article 131.17.
4.4 Timing of the measure	The buffers will be effective as of 1 January 2017.
4.5 Review of the measure	The O-SII buffer rates will be reviewed annually, for the first time next year by 31 August 2016.
13. Miscellaneous	
5.1 Disclosure	MNB plans to disclose the essential details of the O-SII measure, including the general decision regarding the list of O-SIIs, their scores, and the O-SII buffer rates applied to them by 30th November 2015.
5.2 Contact person(s) at notifying authority	Contact person(s) for further inquiries (name, phone number and e-mail address) **Ms. Anikó Szombati** *Director, Macroprudential Directorate* Phone: +36 (1) 428 2600/1861 Email: szombatia@mnb.hu **Mr. Péter Fáykiss** *Head of Department, Macroprudential Policy Department* Phone: +36 (1) 428 2600/2239 Email: faykissp@mnb.hu

5.3 Any other relevant information	

The ESRB template on the O-SII buffer

<table>
<tr><th colspan="2">16. Notifying national authority (If several designated authorities, please mention all of them)</th></tr>
<tr><td>1.1 Name of the notifying authority</td><td>Magyar Nemzeti Bank (MNB)</td></tr>
<tr><th colspan="2">17. Buffer levels and the institution to which they apply</th></tr>
<tr><td>2.1 Categorisation of measures</td><td>Introduction of O-SII buffer.</td></tr>
<tr><td>2.2 Concerned institution or group of institutions</td><td>a. Name of the individual institution
Magyar Takarékszövetkezeti Bank Zrt. (Bank of Hungarian Savings Cooperatives Co. Ltd.)
b. Name of the parent company of the institution
-
c. Name of the subsidiaries of the institution
The institution has no relevant foreign subsidiaries.
For a complete list, see the links below:
Links of Savings Cooperatives under Magyar Takarékszövetkezeti Bank Zrt:
http://www.takarekbank.hu/takarekbank/hu/kozpontibank/magunkrol/elerhetosegeink/takarekszovetkezetilinkek.html
In Hungarian only:
http://www.takarekbank.hu/dms/takarekbank/hu/dokumentumok/eves-jelentes-beszamolok/Tpt-szerinti-eves-feleves-jel/2013/3_Takarekbank_konszolidalt_beszamolo_2013/Takarékbank%20konszolidált%20éves%20beszámoló%202013.pdf
d. If parent institution, are subsidiaries notified as O-SII?
-</td></tr>
<tr><td>2.3 Level of the buffer applied</td><td>The level of buffer applied to the institution is 0,5%.</td></tr>
<tr><td>2.4 Firm level at which the buffer is applied</td><td>The buffer is set on a consolidated level (Magyar Takarékszövetkezeti Bank Zrt.).</td></tr>
<tr><td>2.5 Information on other buffers already in application</td><td>Credit institutions will be subject to institution specific systemic risk buffer on a sub-consolidated basis from 1 January 2017 based on their exposure to problem project loans on 30 September 2016.
Institution-specific SRB rates will be set in the range of 0 to 2 percent (steps of 0,5 percentage points). The measure is applied only to exposures located in Hungary, therefore it will be additive with the O-SII buffer rates.</td></tr>
<tr><td>2.6 Annual review of the G-SII or O-SII
(Articles 131.6 and 131.12)</td><td>This notification provides information on the introduction of the O-SII buffer. First review will be published by 31 August 2016.</td></tr>
<tr><th colspan="2">18. Rational for activation of the G-SII and O-SII buffer</th></tr>
</table>

3.1 Description of the G-SII **(Article 131.2)**	-
3.2 Description of the O-SII **(Article 131.3)**	The O-SII identification was based on the methodology published by the EBA on 16 December 2014 in the Guidelines '*On the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)*'. The scoring methodology described in Title II (6-8) was carried out first applying only the mandatory indicators from group a. to d. as shown below. In a separate, additional exercise the above calculation was executed by supplementing the standard indicators with selected Optional indicators (see e. below) from Annex 2 of the Guideline. a. Size a1. Total assets b. Importance for the economy of the EU, or relevant Member State b1. Value of domestic payment transactions b2. Private sector deposits from depositors in the EU b3. Private sector loans to recipients in the EU c. Significance of cross-border activities c1. Value of OTC derivatives (notional) c2. Cross-jurisdictional liabilities c3. Cross-jurisdictional claims d. Interconnectedness of the institution or group, with the financial system d1. Intra-financial system liabilities d2. Intra-financial system assets d3. Debt securities outstanding e. Additional criteria used: Optional indicators from Annex 2: e1. Off-balance sheet items e2. Share in clearing and settlement system e3. Assets under custody e4. Interbank claims and/or liabilities e5. Market transaction volumes or values
3.3 Indicators used for designation of the G-SII **(Article 131.2 and 131.9)**	-
3.4 Indicators used for designation of the O-SII **(Article 131.3)**	All of the above indicators listed in 3.2 were used when qualifying the institutions as O-SIIs. MNB followed a two-step identification methodology in accordance with the Guideline. First, all of the institutions which scored equal or higher than 350 basis points using the 10 mandatory indicators following the standard identification methodology described in Title II (6-8) were selected. Second, a supplementary method was applied in accordance with Title III (13-14) to

	take into consideration the 5 Optional indicators listed above. These indicators were included in order to provide a more robust and relevant country specific representation of systemic risks in relation to systemic importance. Optional indicators have been quantitatively assessed by aggregating the indicators in a supplementary, additional criterion group. The group weight of the supplementary criterion group was added to the 4 criterion groups with having all the 5 criterion groups equal weighting (20 percent group weight for every mandatory and for the one supplementary group). In the supplementary criterion group weights for Optional indicators were assigned according to a sum of squares type concentration index. Higher weights were attached to the Optional indicators within which concentration was higher. In this way critical activities supplied by fewer important institutions with considerable market shares are deemed to be more important systemically. The inclusion of Optional indicators hasn't changed the set of institutions qualifying as O-SIIs under the standardized methodology, the same 9 institutions were identified. The resulting, somewhat modified scores were used for the calibration of the buffer rates.
3.5 In case of O-SII: Suitability, effectiveness and proportionality of measure **(Article 131.7)**	a) As the O-SII capital buffer enhances financial shock resilience and consequently reduces the expected probability of failure it is a suitable instrument for preventing the realization of systemic risks related to the distress and default of systemically important institutions. The increased resilience may impede the emergence of financial contagions caused by the non-performance of highly interconnected institutions; it may provide the continuity of critical financial activities after taking massive losses, because market substitution for critical financial functions in case an O-SII fails may not be feasible in the short run; also the potential burden imposed by the default of these institutions on government budget motivates the introductions of a preventive regulatory instrument (complementing the efficient recovery and resolution system in place in Hungary). O-SII buffer is used as a targeted prudential instrument to efficiently decrease the probability of failure and the consequent systemwide impact of those institutions which induce the greatest risk as a combination of their size, the criticality and insufficient substitutability of the financial functions they provide, and their highly connected positions. Magyar Takarékszövetkezeti Bank Zrt. exceed the 5 percent of the total asset size of the sector, it contributes significantly to the supply of financial products and services to the real economy, it is highly interconnected with other credit institutions, and it has considerable share in financial transactions carried out through the major institutions of the domestic financial infrastructure. Buffer rates have been assigned to different institutions proportionally by classifying O-SIIs into three groups according to their expected impact represented by their scores (see 3.4). Consequently Magyar Takarékszövetkezeti Bank Zrt. classified into the third group is subject to an O-SII buffer rate of 0,5%, the members of the first group need to apply an O-SII buffer rate of 2% and in the second group an O-SII buffer rate of 1% is applicable. b) Magyar Takarékszövetkezeti Bank Zrt. is a local bank with a scope of activities focused on domestic markets, therefore the possible cross-border impact is expected to be limited. The increased resilience of the O-SIIs benefits their stakeholders in other Member States and contributes to the functioning, financial integration and harmonized regulation of the single market. The current capital levels of the nine O-SIIs are already adequate for the

	buffer. Therefore MNB expects that the introduction of the buffer will not have substantial negative impact on bank lending or on any other relevant banking activities.
3.6 In Case of O-SII, Assessment of likely impact on the internal market **(Article 131.6)**	Enhancing the financial stability of Hungary as a small and open economy with financial ties to several other EU countries contributes to the resilience of the single market as a whole. Higher levels of required own funds could facilitate long term stability for cross-border financial banking activities while they are not expected to pose a disproportionate impediment on the short run (see 3.5 b.). Therefore MNB does not expect any negative impact of the O-SII buffer on the single market.
14. Combinations and timing of the G-SII or O-SII notified	
4.1 combinations between G-SII and OSII buffers (Article 131.14)	There aren't any institutions identified as G-SII in Hungary.
14.2Combinations with SRB buffers **(Article 131.14 + Article 133.5)**	a. The individual levels of the SRB buffer rates applicable from 1 January 2017 will be defined in the fourth quarter of 2016. (See answers to 2.5) There aren't any G-SIIs in Hungary, see 2.5 and 4.1. b. Accumulation with the SRB buffer will be possible, see 2.5.
4.3 Combined buffer requirement **(Article 131.16 and Article 131.17)**	a. Capital conservation buffer will be phased in from 1 January 2016 until 31 December 2018 according to Art. 160 (1) - (4) of Directive 2013/36/EU without shorter transitional period. The Financial Stability Board (FSB) of the MNB has yet to decide the CCB rate for Hungarian exposures, but the current state of the lending cycle does not warrant a rate higher than 0 per cent starting from 1 January, 2016. SRB will be introduced from 1 January 2017. If an O-SII will be subject to non-zero SRB rate, then the two rates are going to be additive (see 2.5). b. The combined buffer requirement will be above the sum of the buffers described in Article 131.16 and Article 131.17.
4.4 Timing of the measure	The buffers will be effective as of 1 January 2017.
4.5 Review of the measure	The O-SII buffer rates will be reviewed annually, for the first time next year by 31 August 2016.
15. Miscellaneous	
5.1 Disclosure	MNB plans to disclose the essential details of the O-SII measure, including the general decision regarding the list of O-SIIs, their scores, and the O-SII buffer rates applied to them by 30th November 2015.
5.2 Contact person(s) at notifying authority	Contact person(s) for further inquiries (name, phone number and e-mail address) **Ms. Anikó Szombati** *Director, Macroprudential Directorate* Phone: +36 (1) 428 2600/1861 Email: szombatia@mnb.hu **Mr. Péter Fáykiss** *Head of Department, Macroprudential Policy Department* Phone: +36 (1) 428 2600/2239 Email: faykissp@mnb.hu
5.3 Any other relevant information	

The ESRB template on the O-SII buffer

19. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Magyar Nemzeti Bank (MNB)
20. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Introduction of O-SII buffer.
2.2 Concerned institution or group of institutions	a. Name of the individual institution MKB Bank Zrt. b. Name of the parent company of the institution - c. Name of the subsidiaries of the institution The institution has no relevant foreign subsidiaries. For a complete list, see p. 53.: https://www.mkb.hu/dl/media/group_463afc792a1fd/group_46e7a0856ede6/group_515ed0d02d45b/item_4610.pdf d. If parent institution, are subsidiaries notified as O-SII? -
2.3 Level of the buffer applied	The level of buffer applied to the institution is **0,5%**.
2.4 Firm level at which the buffer is applied	The buffer is set on a consolidated level (MKB Bank Zrt.).
2.5 Information on other buffers already in application	Credit institutions will be subject to institution specific systemic risk buffer on a sub-consolidated basis from 1 January 2017 based on their exposure to problem project loans on 30 September 2016. Institution-specific SRB rates will be set in the range of 0 to 2 percent (steps of 0,5 percentage points). The measure is applied only to exposures located in Hungary, therefore it will be additive with the O-SII buffer rates.
2.6 Annual review of the G-SII or O-SII **(Articles 131.6 and 131.12)**	This notification provides information on the introduction of the O-SII buffer. First review will be published by 31 August 2016.
21. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII **(Article 131.2)**	-

3.2 Description of the O-SII (Article 131.3)	The O-SII identification was based on the methodology published by the EBA on 16 December 2014 in the Guidelines '*On the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)*'. The scoring methodology described in Title II (6-8) was carried out first applying only the mandatory indicators from group a. to d. as shown below. In a separate, additional exercise the above calculation was executed by supplementing the standard indicators with selected Optional indicators (see e. below) from Annex 2 of the Guideline. a. Size a1. Total assets b. Importance for the economy of the EU, or relevant Member State b1. Value of domestic payment transactions b2. Private sector deposits from depositors in the EU b3. Private sector loans to recipients in the EU c. Significance of cross-border activities c1. Value of OTC derivatives (notional) c2. Cross-jurisdictional liabilities c3. Cross-jurisdictional claims d. Interconnectedness of the institution or group, with the financial system d1. Intra-financial system liabilities d2. Intra-financial system assets d3. Debt securities outstanding e. Additional criteria used: Optional indicators from Annex 2: e1. Off-balance sheet items e2. Share in clearing and settlement system e3. Assets under custody e4. Interbank claims and/or liabilities e5. Market transaction volumes or values
3.3 Indicators used for designation of the G-SII (Article 131.2 and 131.9)	-
3.4 Indicators used for designation of the O-SII (Article 131.3)	All of the above indicators listed in 3.2 were used when qualifying the institutions as O-SIIs. MNB followed a two-step identification methodology in accordance with the Guideline. First, all of the institutions which scored equal or higher than 350 basis points using the 10 mandatory indicators following the standard identification methodology described in Title II (6-8) were selected. Second, a supplementary method was applied in accordance with Title III (13-14) to take into consideration the 5 Optional indicators listed above. These indicators were included in order to provide a more robust and relevant country specific representation of systemic risks in relation to systemic importance. Optional

	indicators have been quantitatively assessed by aggregating the indicators in a supplementary, additional criterion group. The group weight of the supplementary criterion group was added to the 4 criterion groups with having all the 5 criterion groups equal weighting (20 percent group weight for every mandatory and for the one supplementary group). In the supplementary criterion group weights for Optional indicators were assigned according to a sum of squares type concentration index. Higher weights were attached to the Optional indicators within which concentration was higher. In this way critical activities supplied by fewer important institutions with considerable market shares are deemed to be more important systemically. The inclusion of Optional indicators hasn't changed the set of institutions qualifying as O-SIIs under the standardized methodology, the same 9 institutions were identified. The resulting, somewhat modified scores were used for the calibration of the buffer rates.
3.5 In case of O-SII: Suitability, effectiveness and proportionality of measure **(Article 131.7)**	a) As the O-SII capital buffer enhances financial shock resilience and consequently reduces the expected probability of failure it is a suitable instrument for preventing the realization of systemic risks related to the distress and default of systemically important institutions. The increased resilience may impede the emergence of financial contagions caused by the non-performance of highly interconnected institutions; it may provide the continuity of critical financial activities after taking massive losses, because market substitution for critical financial functions in case an O-SII fails may not be feasible in the short run; also the potential burden imposed by the default of these institutions on government budget motivates the introductions of a preventive regulatory instrument (complementing the efficient recovery and resolution system in place in Hungary). O-SII buffer is used as a targeted prudential instrument to efficiently decrease the probability of failure and the consequent systemwide impact of those institutions which induce the greatest risk as a combination of their size, the criticality and insufficient substitutability of the financial functions they provide, and their highly connected positions. MKB Bank Zrt. exceed the 6 percent of the total asset size of the sector, it contributes significantly to the supply of financial products and services to the real economy, it is highly interconnected with other credit institutions, and it has considerable share in financial transactions carried out through the major institutions of the domestic financial infrastructure. Buffer rates have been assigned to different institutions proportionally by classifying O-SIIs into three groups according to their expected impact represented by their scores (see 3.4). Consequently MKB Bank Zrt. classified into the third group is subject to an O-SII buffer rate of 0,5%, the members of the first group need to apply an O-SII buffer rate of 2% and in the second group an O-SII buffer rate of 1% is applicable. b) MKB Bank Zrt. is a local bank with a scope of activities focused on domestic markets, therefore the possible cross-border impact is expected to be limited. The increased resilience of the O-SIIs benefits their stakeholders in other Member States and contributes to the functioning, financial integration and harmonized regulation of the single market. The current capital levels of the nine O-SIIs are already adequate for the buffer. Therefore MNB expects that the introduction of the buffer will not have substantial negative impact on bank lending or on any other relevant banking activities.

3.6 In Case of O-SII, Assessment of likely impact on the internal market **(Article 131.6)**	Enhancing the financial stability of Hungary as a small and open economy with financial ties to several other EU countries contributes to the resilience of the single market as a whole. Higher levels of required own funds could facilitate long term stability for cross-border financial banking activities while they are not expected to pose a disproportionate impediment on the short run (see 3.5 b.). Therefore MNB does not expect any negative impact of the O-SII buffer on the single market.
16. Combinations and timing of the G-SII or O-SII notified	
4.1 combinations between G-SII and OSII buffers (Article 131.14)	There aren't any institutions identified as G-SII in Hungary.
16.2Combinations with SRB buffers **(Article 131.14 + Article 133.5)**	a. The individual levels of the SRB buffer rates applicable from 1 January 2017 will be defined in the fourth quarter of 2016. (See answers to 2.5) There aren't any G-SIIs in Hungary, see 2.5 and 4.1. b. Accumulation with the SRB buffer will be possible, see 2.5.
4.3 Combined buffer requirement **(Article 131.16 and Article 131.17)**	a. Capital conservation buffer will be phased in from 1 January 2016 until 31 December 2018 according to Art. 160 (1) - (4) of Directive 2013/36/EU without shorter transitional period. The Financial Stability Board (FSB) of the MNB has yet to decide the CCB rate for Hungarian exposures, but the current state of the lending cycle does not warrant a rate higher than 0 per cent starting from 1 January, 2016. SRB will be introduced from 1 January 2017. If an O-SII will be subject to non-zero SRB rate, then the two rates are going to be additive (see 2.5). b. The combined buffer requirement will be above the sum of the buffers described in Article 131.16 and Article 131.17.
4.4 Timing of the measure	The buffers will be effective as of 1 January 2017.
4.5 Review of the measure	The O-SII buffer rates will be reviewed annually, for the first time next year by 31 August 2016.
17. Miscellaneous	
5.1 Disclosure	MNB plans to disclose the essential details of the O-SII measure, including the general decision regarding the list of O-SIIs, their scores, and the O-SII buffer rates applied to them by 30th November 2015.
5.2 Contact person(s) at notifying authority	Contact person(s) for further inquiries (name, phone number and e-mail address) **Ms. Anikó Szombati** *Director, Macroprudential Directorate* Phone: +36 (1) 428 2600/1861 Email: szombatia@mnb.hu **Mr. Péter Fáykiss** *Head of Department, Macroprudential Policy Department* Phone: +36 (1) 428 2600/2239 Email: faykissp@mnb.hu
5.3 Any other relevant information	

The ESRB template on the O-SII buffer

22. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Magyar Nemzeti Bank (MNB)
23. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Introduction of O-SII buffer.
2.2 Concerned institution or group of institutions	a. Name of the individual institution CIB Bank Zrt. b. Name of the parent company of the institution Parent company: Intesa San Paolo S.p.A. c. Name of the subsidiaries of the institution The institution has no relevant foreign subsidiaries. For a complete list, see p. 13.: http://www.cib.hu/system/fileserver?file=/Sajtoszoba/CIB_csoport_IFRS_2014_en.pdf&type=related d. If parent institution, are subsidiaries notified as O-SII? -
2.3 Level of the buffer applied	The level of buffer applied to the institution is **0,5%**.
2.4 Firm level at which the buffer is applied	The buffer is set on a consolidated level (CIB Bank Zrt.).
2.5 Information on other buffers already in application	Credit institutions will be subject to institution specific systemic risk buffer on a sub-consolidated basis from 1 January 2017 based on their exposure to problem project loans on 30 September 2016. Institution-specific SRB rates will be set in the range of 0 to 2 percent (steps of 0,5 percentage points). The measure is applied only to exposures located in Hungary, therefore it will be additive with the O-SII buffer rates.
2.6 Annual review of the G-SII or O-SII **(Articles 131.6 and 131.12)**	This notification provides information on the introduction of the O-SII buffer. First review will be published by 31 August 2016.
24. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII **(Article 131.2)**	-

3.2 Description of the O-SII (Article 131.3)	The O-SII identification was based on the methodology published by the EBA on 16 December 2014 in the Guidelines '*On the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)*'. The scoring methodology described in Title II (6-8) was carried out first applying only the mandatory indicators from group a. to d. as shown below. In a separate, additional exercise the above calculation was executed by supplementing the standard indicators with selected Optional indicators (see e. below) from Annex 2 of the Guideline. a. Size a1. Total assets b. Importance for the economy of the EU, or relevant Member State b1. Value of domestic payment transactions b2. Private sector deposits from depositors in the EU b3. Private sector loans to recipients in the EU c. Significance of cross-border activities c1. Value of OTC derivatives (notional) c2. Cross-jurisdictional liabilities c3. Cross-jurisdictional claims d. Interconnectedness of the institution or group, with the financial system d1. Intra-financial system liabilities d2. Intra-financial system assets d3. Debt securities outstanding e. Additional criteria used: Optional indicators from Annex 2: e1. Off-balance sheet items e2. Share in clearing and settlement system e3. Assets under custody e4. Interbank claims and/or liabilities e5. Market transaction volumes or values
3.3 Indicators used for designation of the G-SII (Article 131.2 and 131.9)	-
3.4 Indicators used for designation of the O-SII (Article 131.3)	All of the above indicators listed in 3.2 were used when qualifying the institutions as O-SIIs. MNB followed a two-step identification methodology in accordance with the Guideline. First, all of the institutions which scored equal or higher than 350 basis points using the 10 mandatory indicators following the standard identification methodology described in Title II (6-8) were selected. Second, a supplementary method was applied in accordance with Title III (13-14) to take into consideration the 5 Optional indicators listed above. These indicators were included in order to provide a more robust and relevant country specific representation of systemic risks in relation to systemic importance. Optional

	indicators have been quantitatively assessed by aggregating the indicators in a supplementary, additional criterion group. The group weight of the supplementary criterion group was added to the 4 criterion groups with having all the 5 criterion groups equal weighting (20 percent group weight for every mandatory and for the one supplementary group). In the supplementary criterion group weights for Optional indicators were assigned according to a sum of squares type concentration index. Higher weights were attached to the Optional indicators within which concentration was higher. In this way critical activities supplied by fewer important institutions with considerable market shares are deemed to be more important systemically. The inclusion of Optional indicators hasn't changed the set of institutions qualifying as O-SIIs under the standardized methodology, the same 9 institutions were identified. The resulting, somewhat modified scores were used for the calibration of the buffer rates.
3.5 In case of O-SII: Suitability, effectiveness and proportionality of measure **(Article 131.7)**	a) As the O-SII capital buffer enhances financial shock resilience and consequently reduces the expected probability of failure it is a suitable instrument for preventing the realization of systemic risks related to the distress and default of systemically important institutions. The increased resilience may impede the emergence of financial contagions caused by the non-performance of highly interconnected institutions; it may provide the continuity of critical financial activities after taking massive losses, because market substitution for critical financial functions in case an O-SII fails may not be feasible in the short run; also the potential burden imposed by the default of these institutions on government budget motivates the introductions of a preventive regulatory instrument (complementing the efficient recovery and resolution system in place in Hungary). O-SII buffer is used as a targeted prudential instrument to efficiently decrease the probability of failure and the consequent systemwide impact of those institutions which induce the greatest risk as a combination of their size, the criticality and insufficient substitutability of the financial functions they provide, and their highly connected positions. CIB Bank Zrt. exceed the 5 percent of the total asset size of the sector, it contributes significantly to the supply of financial products and services to the real economy, it is highly interconnected with other credit institutions, and it has considerable share in financial transactions carried out through the major institutions of the domestic financial infrastructure. Buffer rates have been assigned to different institutions proportionally by classifying O-SIIs into three groups according to their expected impact represented by their scores (see 3.4). Consequently CIB Bank Zrt. classified into the third group is subject to an O-SII buffer rate of 0,5%, the members of the first group need to apply an O-SII buffer rate of 2% and in the second group an O-SII buffer rate of 1% is applicable. b) CIB Bank Zrt. is a foreign parent's subsidiary operating primarily in domestic markets, therefore the possible cross-border impact is expected to be limited. The increased resilience of the O-SIIs benefits their stakeholders in other Member States and contributes to the functioning, financial integration and harmonized regulation of the single market. The current capital levels of the nine O-SIIs are already adequate for the buffer. Therefore MNB expects that the introduction of the buffer will not

	have substantial negative impact on bank lending or on any other relevant banking activities.
3.6 In Case of O-SII, Assessment of likely impact on the internal market **(Article 131.6)**	Enhancing the financial stability of Hungary as a small and open economy with financial ties to several other EU countries contributes to the resilience of the single market as a whole. Higher levels of required own funds could facilitate long term stability for cross-border financial banking activities while they are not expected to pose a disproportionate impediment on the short run (see 3.5 b.). Therefore MNB does not expect any negative impact of the O-SII buffer on the single market.
18. Combinations and timing of the G-SII or O-SII notified	
4.1 combinations between G-SII and OSII buffers (Article 131.14)	There aren't any institutions identified as G-SII in Hungary.
18.2Combinations with SRB buffers **(Article 131.14 + Article 133.5)**	a. The individual levels of the SRB buffer rates applicable from 1 January 2017 will be defined in the fourth quarter of 2016. (See answers to 2.5) There aren't any G-SIIs in Hungary, see 2.5 and 4.1. b. Accumulation with the SRB buffer will be possible, see 2.5.
4.3 Combined buffer requirement **(Article 131.16 and Article 131.17)**	a. Capital conservation buffer will be phased in from 1 January 2016 until 31 December 2018 according to Art. 160 (1) - (4) of Directive 2013/36/EU without shorter transitional period. The Financial Stability Board (FSB) of the MNB has yet to decide the CCB rate for Hungarian exposures, but the current state of the lending cycle does not warrant a rate higher than 0 per cent starting from 1 January, 2016. SRB will be introduced from 1 January 2017. If an O-SII will be subject to non-zero SRB rate, then the two rates are going to be additive (see 2.5). b. The combined buffer requirement will be above the sum of the buffers described in Article 131.16 and Article 131.17.
4.4 Timing of the measure	The buffers will be effective as of 1 January 2017.
4.5 Review of the measure	The O-SII buffer rates will be reviewed annually, for the first time next year by 31 August 2016.
19. Miscellaneous	
5.1 Disclosure	MNB plans to disclose the essential details of the O-SII measure, including the general decision regarding the list of O-SIIs, their scores, and the O-SII buffer rates applied to them by 30th November 2015.
5.2 Contact person(s) at notifying authority	Contact person(s) for further inquiries (name, phone number and e-mail address) **Ms. Anikó Szombati** *Director, Macroprudential Directorate* Phone: +36 (1) 428 2600/1861 Email: szombatia@mnb.hu **Mr. Péter Fáykiss** *Head of Department, Macroprudential Policy Department* Phone: +36 (1) 428 2600/2239 Email: faykissp@mnb.hu

5.3 Any other relevant information	

The ESRB template on the O-SII buffer

25. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Magyar Nemzeti Bank (MNB)
26. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Introduction of O-SII buffer.
2.2 Concerned institution or group of institutions	a. Name of the individual institution FHB Jelzálogbank Nyrt. b. Name of the parent company of the institution - c. Name of the subsidiaries of the institution The institution has no relevant foreign subsidiaries. For a complete list, see second document (Consolidated Financial Statements in accordance with the International Financial Reporting Standards adopted by the European Union) pp. 18-26.: http://en.fhb.hu/fhb-bank/Anual-Reports/FHB_annual_report_cons_ifrs_2014_EN.pdf d. If parent institution, are subsidiaries notified as O-SII? -
2.3 Level of the buffer applied	The level of buffer applied to the institution is **0,5%**.
2.4 Firm level at which the buffer is applied	The buffer is set on a consolidated level (FHB Jelzálogbank Nyrt.).
2.5 Information on other buffers already in application	Credit institutions will be subject to institution specific systemic risk buffer on a sub-consolidated basis from 1 January 2017 based on their exposure to problem project loans on 30 September 2016. Institution-specific SRB rates will be set in the range of 0 to 2 percent (steps of 0,5 percentage points). The measure is applied only to exposures located in Hungary, therefore it will be additive with the O-SII buffer rates.
2.6 Annual review of the G-SII or O-SII **(Articles 131.6 and 131.12)**	This notification provides information on the introduction of the O-SII buffer. First review will be published by 31 August 2016.
27. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII **(Article 131.2)**	-

3.2 Description of the O-SII **(Article 131.3)**	The O-SII identification was based on the methodology published by the EBA on 16 December 2014 in the Guidelines '*On the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)*'. The scoring methodology described in Title II (6-8) was carried out first applying only the mandatory indicators from group a. to d. as shown below. In a separate, additional exercise the above calculation was executed by supplementing the standard indicators with selected Optional indicators (see e. below) from Annex 2 of the Guideline. a. Size a1. Total assets b. Importance for the economy of the EU, or relevant Member State b1. Value of domestic payment transactions b2. Private sector deposits from depositors in the EU b3. Private sector loans to recipients in the EU c. Significance of cross-border activities c1. Value of OTC derivatives (notional) c2. Cross-jurisdictional liabilities c3. Cross-jurisdictional claims d. Interconnectedness of the institution or group, with the financial system d1. Intra-financial system liabilities d2. Intra-financial system assets d3. Debt securities outstanding e. Additional criteria used: Optional indicators from Annex 2: e1. Off-balance sheet items e2. Share in clearing and settlement system e3. Assets under custody e4. Interbank claims and/or liabilities e5. Market transaction volumes or values
3.3 Indicators used for designation of the G-SII **(Article 131.2 and 131.9)**	-
3.4 Indicators used for designation of the O-SII **(Article 131.3)**	All of the above indicators listed in 3.2 were used when qualifying the institutions as O-SIIs. MNB followed a two-step identification methodology in accordance with the Guideline. First, all of the institutions which scored equal or higher than 350 basis points using the 10 mandatory indicators following the standard identification methodology described in Title II (6-8) were selected. Second, a supplementary method was applied in accordance with Title III (13-14) to take into consideration the 5 Optional indicators listed above. These indicators were included in order to provide a more robust and relevant country specific representation of systemic risks in relation to systemic importance. Optional

	indicators have been quantitatively assessed by aggregating the indicators in a supplementary, additional criterion group. The group weight of the supplementary criterion group was added to the 4 criterion groups with having all the 5 criterion groups equal weighting (20 percent group weight for every mandatory and for the one supplementary group). In the supplementary criterion group weights for Optional indicators were assigned according to a sum of squares type concentration index. Higher weights were attached to the Optional indicators within which concentration was higher. In this way critical activities supplied by fewer important institutions with considerable market shares are deemed to be more important systemically. The inclusion of Optional indicators hasn't changed the set of institutions qualifying as O-SIIs under the standardized methodology, the same 9 institutions were identified. The resulting, somewhat modified scores were used for the calibration of the buffer rates.
3.5 In case of O-SII: Suitability, effectiveness and proportionality of measure **(Article 131.7)**	a) As the O-SII capital buffer enhances financial shock resilience and consequently reduces the expected probability of failure it is a suitable instrument for preventing the realization of systemic risks related to the distress and default of systemically important institutions. The increased resilience may impede the emergence of financial contagions caused by the non-performance of highly interconnected institutions; it may provide the continuity of critical financial activities after taking massive losses, because market substitution for critical financial functions in case an O-SII fails may not be feasible in the short run; also the potential burden imposed by the default of these institutions on government budget motivates the introductions of a preventive regulatory instrument (complementing the efficient recovery and resolution system in place in Hungary). O-SII buffer is used as a targeted prudential instrument to efficiently decrease the probability of failure and the consequent systemwide impact of those institutions which induce the greatest risk as a combination of their size, the criticality and insufficient substitutability of the financial functions they provide, and their highly connected positions. FHB Jelzálogbank Nyrt. contributes significantly to the supply of financial products and services to the real economy, it is highly interconnected with other credit institutions, and it has considerable share in financial transactions carried out through the major institutions of the domestic financial infrastructure. Buffer rates have been assigned to different institutions proportionally by classifying O-SIIs into three groups according to their expected impact represented by their scores (see 3.4). Consequently FHB Jelzálogbank Nyrt. classified into the third group is subject to an O-SII buffer rate of 0,5%, the members of the first group need to apply an O-SII buffer rate of 2% and in the second group an O-SII buffer rate of 1% is applicable. b) FHB Jelzálogbank Nyrt. is a local bank with a scope of activities focused on domestic markets, therefore the possible cross-border impact is expected to be limited. The increased resilience of the O-SIIs benefits their stakeholders in other Member States and contributes to the functioning, financial integration and harmonized regulation of the single market. The current capital levels of the nine O-SIIs are already adequate for the buffer. Therefore MNB expects that the introduction of the buffer will not have substantial negative impact on bank lending or on any other relevant banking activities.

3.6 In Case of O-SII, Assessment of likely impact on the internal market **(Article 131.6)**	Enhancing the financial stability of Hungary as a small and open economy with financial ties to several other EU countries contributes to the resilience of the single market as a whole. Higher levels of required own funds could facilitate long term stability for cross-border financial banking activities while they are not expected to pose a disproportionate impediment on the short run (see 3.5 b.). Therefore MNB does not expect any negative impact of the O-SII buffer on the single market.
20. Combinations and timing of the G-SII or O-SII notified	
4.1 combinations between G-SII and OSII buffers (Article 131.14)	There aren't any institutions identified as G-SII in Hungary.
20.2Combinations with SRB buffers **(Article 131.14 + Article 133.5)**	a. The individual levels of the SRB buffer rates applicable from 1 January 2017 will be defined in the fourth quarter of 2016. (See answers to 2.5) There aren't any G-SIIs in Hungary, see 2.5 and 4.1. b. Accumulation with the SRB buffer will be possible, see 2.5.
4.3 Combined buffer requirement **(Article 131.16 and Article 131.17)**	a. Capital conservation buffer will be phased in from 1 January 2016 until 31 December 2018 according to Art. 160 (1) - (4) of Directive 2013/36/EU without shorter transitional period. The Financial Stability Board (FSB) of the MNB has yet to decide the CCB rate for Hungarian exposures, but the current state of the lending cycle does not warrant a rate higher than 0 per cent starting from 1 January, 2016. SRB will be introduced from 1 January 2017. If an O-SII will be subject to non-zero SRB rate, then the two rates are going to be additive (see 2.5). b. The combined buffer requirement will be above the sum of the buffers described in Article 131.16 and Article 131.17.
4.4 Timing of the measure	The buffers will be effective as of 1 January 2017.
4.5 Review of the measure	The O-SII buffer rates will be reviewed annually, for the first time next year by 31 August 2016.
21. Miscellaneous	
5.1 Disclosure	MNB plans to disclose the essential details of the O-SII measure, including the general decision regarding the list of O-SIIs, their scores, and the O-SII buffer rates applied to them by 30th November 2015.
5.2 Contact person(s) at notifying authority	Contact person(s) for further inquiries (name, phone number and e-mail address) **Ms. Anikó Szombati** *Director, Macroprudential Directorate* Phone: +36 (1) 428 2600/1861 Email: szombatia@mnb.hu **Mr. Péter Fáykiss** *Head of Department, Macroprudential Policy Department* Phone: +36 (1) 428 2600/2239 Email: faykissp@mnb.hu
5.3 Any other relevant information	