



Notifying national authority		
1.1	Name of the notifying authority.	Banca d'Italia.
1.2	Name of the macroprudential measure that is notified.	Identification of Other Systemically Important Institutions (O-SII) and setting of the O-SII buffer rate at 0% for 2016.
1.3	Date when the decision referred to in Article 5 of the SSMR shall be taken.	The Governing Board has taken a preliminary decision. The final decision is expected on 30 December 2015, after duly considering the opinion of the ECB.
Description of the measure		
2.1	Please provide a detailed description of the measure, including calibration and the main parameters.	<p>Identification of O-SIIs.</p> <p>The identification process followed the mandatory indicators set out in the EBA's Guidelines (EBA/GL/2014/10).</p> <p>In line with the scoring method laid down by the Guidelines, the systemic importance of institutions was assessed using ten mandatory indicators covering four different criteria. The criteria are size, importance (including substitutability/financial system infrastructure), complexity/cross-border activity and interconnectedness.</p> <p>The indicators were computed and aggregated following the Guidelines for all the institutions operating in Italy. In the cases in which the FINREP variables were not available, the closest variables available at Banca d'Italia were used.</p> <p>Banca d'Italia did not employ any of the optional indicators listed in the Guidelines. At the same time, we have opted to retain the 350-basis-point threshold (out of a total of 10,000 basis points) for the determination of systemic importance as defined by the Guidelines.</p> <p>All banks above the threshold have been designated as O-SIIs.</p>
2.2	Please specify the legal basis and process of implementation of the measure.	<p>The Bank of Italy has been identified as the Italian Designated Authority as per Article 53-ter of Legislative Decree 385/1993 (the Consolidated Law on Banking).</p> <p>CRD IV, Article 131, provides the legal basis in the European Union. At national level, the implementation of CRD IV is via Banca d'Italia Circular 285 of 17 December 2013, available on the</p>



		Bank's website: www.bancaditalia.it/compiti/vigilanza/normativa/archivio-norme/circolari/c285/Circ_285_pub.pdf .
2.3	Please describe in detail which institutions/exposures will be covered by the measure, including whether the measure would be applied at consolidated or solo level and possible exemptions.	<p>The EBA methodology has been applied to compute the scores for all the institutions operating in Italy. Banca d'Italia has elected to maintain the 350-basis-point threshold laid down by the EBA guidelines, and the following banking groups with scores above 350 have been identified as O-SIIs: UniCredit, Intesa Sanpaolo, Monte dei Paschi di Siena. The identification was made at the highest level of consolidation in Italy.</p> <p>Banca d'Italia has also decided to apply the discretion permitted under the EBA guidelines, which allows competent authorities to exclude out some small and medium-sized investment firms from the scope of the provisions.</p>
2.4	On what date does the measure come into force?	1 st January 2016.
2.5	Until when will the measure presumably be in place or when would it be reviewed?	The measure will be reviewed at least annually.
Reason for the activation of the measure		
3.1	Please give the description of the macroprudential risk in the financial system to be addressed by the proposed macroprudential measure. Please specify the reasons why changes in the intensity of systemic risk could have serious negative consequences for financial stability at national level.	<p>The failure of a systemically important institution could have severe repercussions both for the stability of the financial sector and for the real economy. The identification of O-SIIs is a first step toward enhancing the resilience of the financial system: the array of consequent supervisory actions would both lower the probability of default and mitigate the potential impact (for instance, stepped-up supervision through stricter criteria for risk assessment, more resources dedicated to supervision, more frequent and thorough on-site inspections etc.).</p> <p>Banca d'Italia decided to set the O-SII buffer rate at 0% based on the following considerations:</p> <ul style="list-style-type: none">– One of the banking groups identified as O-SII (UCG) also has G-SII status and so is already subject to a 1% G-SII capital



		<p>buffer, which is being phased in according to the international rules;</p> <ul style="list-style-type: none">– The Bank of Italy, unlike supervisors in other jurisdictions, decided to fully implement the capital conservation buffer for all banks starting in 2014;– The three banking groups identified as domestically systemic are already adequately capitalized, thanks in part to the Pillar 2 capital buffer requirements;– Just as all the banks that underwent the ECB/SSM comprehensive assessment in 2014, the three banking groups identified as O-SIIs must maintain a common equity tier1 (CET1) buffer equal to 1 per cent to offset systemic risk. The Bank of Italy's decision seeks to avoid an overlap between micro-and macro-prudential measures (e.g. the O-SII buffer) that offset the same risk;– The three domestically systemic banks identified are subject to more intensive, strengthened supervision. <p>We believe that the set of prudential measures already in place in Italy properly addresses the risks of domestically systemic banks. Moreover, there is a substantial danger that additional buffer requirements could hamper Italy's already sluggish economic recovery and so undermine the country's financial stability.</p>
3.2	<p>Please describe the indicators on the basis of which the measure is to be activated. Please provide the data the decision is based on (preferably an Excel-file).</p>	<p>The identification of O-SIIs was carried out following the Guidelines developed by the EBA (EBA/GL/2014/10). In the cases in which the FINREP variables were not available for all institutions, the closest variables available were used, as requested in EBA Guidelines.</p> <p>The threshold of 350 basis points has been used to identify O-SIIs.</p>
3.3	<p>If applying a measure under Article 133 CRD or 458 CRR, please explain why the measures mentioned in Article 133(11)e and Article 458(2)c are not sufficient to adequately address the macroprudential risks identified and why the measure is deemed to be suitable, effective and proportionate to address the situation.</p>	<p>Not applicable.</p>



Impact of the measure		
4.1	Please provide your assessment of the effects of the measure on the domestic banking system, the real economy and financial stability in your country.	<p>The decision to not apply this additional buffer is also due – as mentioned above – to the fact that at this stage there is a serious risk that stricter buffer requirements could hamper the economic recovery and thus undermine Italian financial stability.</p> <p>The strengthening of the economy is gradually reducing the risks to financial stability in Italy. Banks' lending conditions are improving and bank credit is expected to start growing again in 2016. However, notwithstanding these positive signs, credit to the private sector is well below its long-run average ratio to GDP.</p> <p>Considering the subdued macroeconomic conditions, we believe that at the present stage the measures specified above provide the best possible contribution to reinforcing financial stability in Italy.</p>
4.2	Referring to your country's specific characteristics, what is the scope for "leakages" (i.e., circumvention of the measure, leakages to other financial sectors or to non-domestic institutions)?	The measure will be applied at the highest level of consolidation in Italy.
4.3	Please assess the scope for cross-border spill-overs of the applied measure (including a likely impact on the EU internal market pursuant to Article 133(12) CRD or 458(2) CRR).	Not applicable.
4.4	When recognition is not mandatory, please specify whether or not it is intended to ask for recognition of the measure by other Member States and provide the reasons.	Not applicable.
4.5	Any other relevant information, including interaction with other measures/policies.	<p>The capital conservation buffer has been fully front-loaded from 1 January 2014 at a value of 2.5% of RWA.</p> <p>Unicredit Group has been identified as a G-SII authorized in Italy. The identification was made at consolidated level, in accordance with the international principles developed by the Financial Stability Board and the Basel Committee on Banking Supervision and the rules set out in the EU Regulation 1222/2014. According to its G-SII score, the bank</p>



		<p>is placed in the first bucket, corresponding to a G-SII capital buffer of 1% of total risk-weighted assets. In accordance with the transitional provision set out in Article 162(5), CRD, the bank is required to hold a G-SII capital buffer equal to 0.25% of total risk-weighted assets starting from 1 January 2016 and 0.50% as of 1 January 2017.</p> <p>The counter-cyclical capital buffer will be introduced on 1 January 2016.</p>
Miscellaneous		
5.1	Contact person(s) at notifying authority.	<p>Mr. Antonio Di Cesare Financial Stability Analysis and Coordination Division Email: antonio.dicesare@bancaditalia.it Phone: +39 06 4792 3943</p> <p>Mr. Michele Lanotte Regulations and Macroprudential Analysis Directorate Email: michele.lanotte@bancaditalia.it Phone: +39 06 4792 4426</p>
5.2	Intended date of publication of the measure and information about the communication strategy of the notified measure to the market.	<p>30 December 2015.</p> <p>Press releases on macroprudential policy decisions of the Bank of Italy are published on the following website: http://www.bancaditalia.it/compiti/stabilita-finanziaria/politica-macroprudenziale/index.html?com.dotmarketing.htmlpage.language=1</p>
5.3	Any other relevant information.	Not applicable.