



Notification Template for Article 131 CRD – Other Systemically Important Institutions (O-SIIs)

Please send this template to

- notifications@esrb.europa.eu when notifying the ESRB;
- macropru.notifications@ecb.europa.eu when notifying the ECB;
- notifications@eba.europa.eu when notifying the EBA.

Emailing this template to the above-mentioned addresses constitutes an official notification, no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows electronically copying the information.

1. Notifying national authority															
1.1 Name of the notifying authority	Banco de España (BdE)														
2. Description of the measure															
2.1 Concerned institution or group of institutions	On which institution(s) is the measure applied (name and LEI code)?														
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2.2 Level of the buffer applied	What is the level of the buffer (in %) applied to the institution(s)?														
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2.3 Name of the EU ultimate parent institution	Please provide the name and the LEI code of the EU ultimate parent institution of the group of each of the concerned institutions, in case the EU ultimate parent institution is not the concerned institution itself. → Not applicable																												
2.4 Names of subsidiaries	If any of the concerned institutions is a parent institution and the buffer is applied on a (sub)consolidated level, please name the subsidiaries of the institution that are notified as O-SIIs (please give name and LEI code). → Not applicable																												
3. Timing of the measure																													
3.1 Timing of the Decision	What is the date of the official decision? For <u>SSM countries</u> when notifying the <u>ECB</u> : provide the date when the decision referred to in Article 5 of the SSMR shall be taken. 26 October 2016																												
3.2 Timing of the Publication	What is the date of publication of the notified measure? 7 November 2016																												
3.3 Disclosure	Information about the communication strategy of the notified measure to the market. → The designated institutions and their respective O-SII capital buffer requirements will be published on the webpage of BdE.																												
3.4 Timing of Application	What is the intended date of activation (i.e. as of which date shall the measure be applicable)? 1 January 2017																												
3.5 Phasing in	<p>What is the intended timeline for the phase-in of the measure?</p> <p style="text-align: center;">O-SII buffer requirements per institution during phase-in period</p> <table border="1" data-bbox="453 1344 1471 1778"> <thead> <tr> <th style="text-align: left;">Institution</th> <th style="text-align: center;">From 1 Jan 2017</th> <th style="text-align: center;">From 1 Jan 2018</th> <th style="text-align: center;">From 1 Jan 2019</th> </tr> </thead> <tbody> <tr> <td>1. Banco Santander, S.A.</td> <td style="text-align: center;">0.50%</td> <td style="text-align: center;">0.75%</td> <td style="text-align: center;">1.00%</td> </tr> <tr> <td>2. Banco Bilbao Vizcaya Argentaria, S.A.</td> <td style="text-align: center;">0.375%</td> <td style="text-align: center;">0.5625%</td> <td style="text-align: center;">0.75%</td> </tr> <tr> <td>3. CriteriaCaixa (holding of Caixabank, S.A.)</td> <td style="text-align: center;">0.125%</td> <td style="text-align: center;">0.1875%</td> <td style="text-align: center;">0.25%</td> </tr> <tr> <td>4. BFA Tenedora de Acciones (holding of Bankia, S.A.)</td> <td style="text-align: center;">0.125%</td> <td style="text-align: center;">0.1875%</td> <td style="text-align: center;">0.25%</td> </tr> <tr> <td>5. Banco de Sabadell, S.A.</td> <td style="text-align: center;">0.125%</td> <td style="text-align: center;">0.1875%</td> <td style="text-align: center;">0.25%</td> </tr> <tr> <td>6. Banco Popular Español, S.A.</td> <td style="text-align: center;">0.125%</td> <td style="text-align: center;">0.1875%</td> <td style="text-align: center;">0.25%</td> </tr> </tbody> </table>	Institution	From 1 Jan 2017	From 1 Jan 2018	From 1 Jan 2019	1. Banco Santander, S.A.	0.50%	0.75%	1.00%	2. Banco Bilbao Vizcaya Argentaria, S.A.	0.375%	0.5625%	0.75%	3. CriteriaCaixa (holding of Caixabank, S.A.)	0.125%	0.1875%	0.25%	4. BFA Tenedora de Acciones (holding of Bankia, S.A.)	0.125%	0.1875%	0.25%	5. Banco de Sabadell, S.A.	0.125%	0.1875%	0.25%	6. Banco Popular Español, S.A.	0.125%	0.1875%	0.25%
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3.6 Review of the measure	When will the measure be reviewed (Article 131(6) and 131(12) specify that the buffer, the identification of O-SIIs and the allocation into subcategories must be reviewed at least annually)? → The necessity and level of O-SII buffers will be reviewed annually before the 1st of December. (Norma 14 Circular 2/2016 of BdE; Article 131(6) of the CRD IV).																												



4. Reason for O-SII identification and activation of the O-SII buffer

4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)

Please list here the name, overall scores, category scores, and indicator values of the identified O-SIIs related to

- size;
- importance for the economy of the relevant Member State or the Union, capturing substitutability/financial institution infrastructure;
- complexity, including the additional complexities from cross-border activity;
- interconnectedness of the institution or (sub-)group with the financial system.

→ **The identification process (EBA/GL/2014/10, Title II) automatically identified O-SIIs (score ≥ 350 bps):**

Institution	Overall score	Size (25%)	Interconnectedness (25%)	Complexity (25%)	Substitutability (25%)
1. Banco Santander, S.A.	3887	3671	1464	5916	4496
2. Banco Bilbao Vizcaya Argentaria, S.A.	2079	2026	1592	2589	2110
3. CriteriaCaixa (holding of CaixaBank, S.A.)	796	910	1302	328	642
4. BFA Tenedora de Acciones (holding of Bankia, S.A.)	544	591	714	276	597
5. Banco de Sabadell, S.A.	471	571	562	359	391
6. Banco Popular Español, S.A.	402	440	729	105	336

In comparison with last years' assessment, there are no changes in the list of institutions identified as O-SIIs (overall score ≥ 350 bps).

4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)

Please provide information on:

- whether you followed the EBA guidelines on the assessment of O-SIIs
→ **The identification of the O-SIIs is based on EBA/GL/2014/10.**
- which threshold score has been set to identify O-SIIs
→ **All institutions with a score of ≥ 350bps applying EBA/GL/2014/10 Title II were automatically identified as O-SIIs.**
- which overall score is attributed to the O-SIIs
→ **See section 4.1**
- which of the optional indicators have been used to justify supervisory assessment decisions, if any, and what are the scores
→ **No optional indicators used.**



	<p>e. why these optional indicators are relevant for the Member State → Not applicable</p> <p>f. why the bank is systemically important in terms of those particular optional indicators → Not applicable</p> <p>g. whether relevant entities with relative total assets not in excess of 0.02% have been excluded from the identification process → No entities with relative total assets ≤ 0.02% have been identified as relevant.</p> <p>h. names and scores of all relevant entities not excluded from the identification process → Submitted with the informal notification to ECB</p> <p>i. whether non-bank institutions have been included in the calculations → The assessment contains only credit institutions and holdings of groups with credit institutions.</p>										
<p>4.3 Supervisory judgement</p>	<p>Has any of the institutions listed in 2.1 been identified through supervisory judgement as laid down in EBA guidelines on the assessment of O-SIIs? If yes, please list the respective institutions.</p> <p>→ No institutions were identified through supervisory judgement, as the scores show a large distance between the identified O-SIIs and the other Spanish institutions with the closest scores.</p>										
<p>4.4 Calibrating the O-SII buffer</p>	<p>Please provide information on the criteria and indicators used to calibrate the level of the O-SII buffer requirement and the mapping to institution-specific buffer requirements.</p> <p>→ The identified institutions are allocated to one of the four capital buffer categories: 0.25%, 0.50%, 0.75% and 1.0% [CET1 per total risk exposure] using the following buckets:</p> <table border="1" data-bbox="453 1330 807 1615"> <thead> <tr> <th>Overall score</th> <th>Buffer</th> </tr> </thead> <tbody> <tr> <td>350 - 900</td> <td>0.25%</td> </tr> <tr> <td>900 - 2000</td> <td>0.50%</td> </tr> <tr> <td>2000 - 3650</td> <td>0.75%</td> </tr> <tr> <td>3650 - 5850</td> <td>1.00%</td> </tr> </tbody> </table> <p>The increasing size of the buckets captures the higher dispersion of the institutions as scores increase. In the current assessment no institutions were allocated to the 0.50% buffer category. This result reflects the large distance, in terms of score, between the four less significant O-SIIs and the two most significant ones.</p>	Overall score	Buffer	350 - 900	0.25%	900 - 2000	0.50%	2000 - 3650	0.75%	3650 - 5850	1.00%
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<p>4.5 Effectiveness and proportionality of measure</p>	<p>Please provide a justification for why the O-SII buffer is considered likely to be effective and proportionate to mitigate the risk.</p>										



	<p>→ The measure should contribute to mitigating negative externalities, reducing implicit subsidies and increasing banks' resilience. Specifically, it is expected to contribute to reducing the competitive advantage of systemic institutions in terms of funding due to their systemic nature, and limiting the potential moral hazard incentives which may affect their managers.</p> <p>At the same time, the envisaged phase-in period should give O-SII institutions sufficient time to be adapted to the additional requirements without major disruptions in the financial system or the real economy.</p> <p>In the case of the Spanish banking system, the six identified institutions represent around 80% of the total assets of the Spanish banking system at the highest level of consolidation. Given this level of concentration, it is deemed necessary to introduce positive O-SII capital buffers for these institutions.</p>
<p>5. Cross-border and cross-sector impact of the measure</p>	
<p>5.1 Assessment of cross-border effects and the likely impact on the internal market (Recommendation ESRB/2015/2)</p>	<p>Assessment of the cross-border effects of the implementation of the draft measure.</p> <p>a. Assessment of the spillover channels operating via risk adjustment and regulatory arbitrage. The relevant indicators provided in Chapter 11 of the ESRB Handbook on Operationalising Macro-prudential Policy in the Banking Sector¹ can be used.</p> <p>b. Assessment of:</p> <ul style="list-style-type: none"> ○ cross-border effects (leakages and regulatory arbitrage) of the implementation of the measure in your own jurisdiction (inward spillovers); and ○ cross-border effects on other Member States and on the Single Market of the measure (outward spillovers). <p>→ The Spanish financial system is dominated by national banks. Those institutions that operate internationally typically do it through financially independent structures. This feature should limit the potential cross-border impact of the measure. Nevertheless, BdE is developing a framework based on the indicators provided in Chapter 11 of the ESRB Handbook on Operationalising Macro-prudential Policy in the Banking Sector to closely monitor cross-border effects.</p>
<p>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>Referring to your country's specific characteristics, what is the scope for "leakages and regulatory arbitrage" in your own jurisdiction (i.e., circumvention of the measure/leakages to other parts of the financial sector)?</p> <p>→ There is little risk that this measure can be circumvented by leakages to other financial sectors or non-domestic banks, since the proposed measures cover around 80% of the Spanish banking system and the remaining institutions have much smaller sizes.</p>

¹ Available on the ESRB's website at www.esrb.europa.eu.



6. Combinations and interactions with other measures	
6.1 Combinations between G-SII and O-SII buffers (Article 131.14)	In case both G-SII and O-SII criteria applied to the same institution at the consolidated level, which of the two buffers is the highest? → Only Banco Santander, S.A. is identified as a G-SII. The level of both G-SII and O-SII buffers is identical.
6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	Are any of the institutions subject to a systemic risk buffer? → No If yes, please provide the following information: a. What is the level of the systemic risk buffer (in %) applied to the concerned institution b. Is the systemic risk buffer applied to all exposures located in your Member State only? c. Is the systemic risk buffer applied at the same consolidation level as the O-SII buffer? → Not applicable
6.3 O-SII requirement for a subsidiary (Article 131.8)	In case the O-SII is a subsidiary of an EU parent institution which is subject to a G-SII or O-SII buffer on a consolidated basis, what is the G-SII or O-SII buffer rate on a consolidated basis of the parent institution? → Not applicable
6.4 Interaction with other measures	How does the buffer requirement interact with other measures addressing the same risk (e.g. with other supervisory measures)? → BdE does not observe interactions with other structural measures. However, interactions with cyclical measures may arise given the current recessive situation of the credit in Spain and the associated macroprudential stance that clearly suggests not to activate the CCyB.

7. Miscellaneous		
7.1 Contact person(s) at notifying authority	Maria Luisa Leyva Senior Economist Financial Stability Department Alcalá 48, 28014 Madrid Tel. +34 91 338 5087 leyva@bde.es	Paula Valderrey de Prado Information Manager Financial Stability Department Alcalá 48, 28014 Madrid Tel. +34 91 338 6873 paula.valderrey@bde.es
7.2 Any other relevant information	-	