

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

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	Banca d'Italia								
2. Description of the measure									
2.1 Concerned institution or group of institutions	<p>On which institution(s) is the measure applied (name and LEI code)?</p> <p>The EBA methodology has been applied to compute the scores for all the institutions operating in Italy as of December 31, 2015. Banca d'Italia has decided to maintain the 350 basis point threshold defined by the EBA guidelines. Hence, the following institutions (with scores above 350 basis points) have been identified as O-SIIs:</p> <table border="1"> <thead> <tr> <th>BANK</th> <th>LEI CODE</th> </tr> </thead> <tbody> <tr> <td>Unicredit Group spa</td> <td>549300TRUWO2CD2G5692</td> </tr> <tr> <td>Gruppo Intesa-Sanpaolo</td> <td>2W8N8UU78PMDQKZENC08</td> </tr> <tr> <td>Gruppo Monte dei Paschi di Siena</td> <td>J4CP7MHCXR8DAQMkil78</td> </tr> </tbody> </table> <p>The identification has taken place at the highest level of consolidation in Italy.</p>	BANK	LEI CODE	Unicredit Group spa	549300TRUWO2CD2G5692	Gruppo Intesa-Sanpaolo	2W8N8UU78PMDQKZENC08	Gruppo Monte dei Paschi di Siena	J4CP7MHCXR8DAQMkil78
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2.2 Level of the buffer applied	<p>What is the level of the buffer (in %) applied to the institution(s)?</p> <table border="1"> <thead> <tr> <th>BANK</th> <th>O-SII BUFFER</th> </tr> </thead> <tbody> <tr> <td>Unicredit Group spa</td> <td>1.00%</td> </tr> <tr> <td>Gruppo Intesa-Sanpaolo</td> <td>0.75%</td> </tr> <tr> <td>Gruppo Monte dei Paschi di Siena</td> <td>0.25%</td> </tr> </tbody> </table>	BANK	O-SII BUFFER	Unicredit Group spa	1.00%	Gruppo Intesa-Sanpaolo	0.75%	Gruppo Monte dei Paschi di Siena	0.25%
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2.3 Name of the EU ultimate parent institution	<p>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.</p> <p>Not applicable.</p>								

2.4 Names of subsidiaries	<p>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).</p> <p>Not applicable.</p>																								
3. Timing of the measure																									
3.1 Timing of the Decision	<p>What is the date of the official decision? <u>For SSM countries when notifying the ECB:</u> provide the date when the decision referred to in Article 5 of the SSMR shall be taken.</p> <p>25 October 2016</p>																								
3.2 Timing of the Publication	<p>What is the date of publication of the notified measure?</p> <p>30 November 2016</p>																								
3.3 Disclosure	<p>Information about the communication strategy of the notified measure to the market.</p> <p>Banca d'Italia will notify the ECB and then the ESRB, the EBA and the Commission, one month before the publication of the decision. The designated institutions will be notified. The O-SII capital buffer requirements will be published on Banca d'Italia webpage after having completed all the administrative procedures.</p>																								
3.4 Timing of Application	<p>What is the intended date of activation (i.e. as of which date shall the measure be applicable)?</p> <p>1 January 2018, according to the phase-in regime.</p>																								
3.5 Phasing in	<p>What is the intended timeline for the phase-in of the measure?</p> <p>4-years phase-in period, starting from 1 January 2018 to reach fully implementation by 1 January 2021. For 2017 the O-SII buffer is set at zero per cent.</p> <p style="text-align: center;">O-SII Buffer requirements per institution during <i>phase-in</i> period</p> <table border="1" data-bbox="422 1308 1519 1518"> <thead> <tr> <th>BANK</th> <th>From 1 Jan 2017</th> <th>From 1 Jan 2018</th> <th>From 1 Jan 2019</th> <th>From 1 Jan 2020</th> <th>From 1 Jan 2021</th> </tr> </thead> <tbody> <tr> <td>Unicredit Group spa</td> <td>0.00%</td> <td>0.25%</td> <td>0.50%</td> <td>0.75%</td> <td>1.00%</td> </tr> <tr> <td>Gruppo Intesa-Sanpaolo</td> <td>0.00%</td> <td>0.19%</td> <td>0.38%</td> <td>0.56%</td> <td>0.75%</td> </tr> <tr> <td>Gruppo Monte dei Paschi di Siena</td> <td>0.00%</td> <td>0.06%</td> <td>0.13%</td> <td>0.19%</td> <td>0.25%</td> </tr> </tbody> </table>	BANK	From 1 Jan 2017	From 1 Jan 2018	From 1 Jan 2019	From 1 Jan 2020	From 1 Jan 2021	Unicredit Group spa	0.00%	0.25%	0.50%	0.75%	1.00%	Gruppo Intesa-Sanpaolo	0.00%	0.19%	0.38%	0.56%	0.75%	Gruppo Monte dei Paschi di Siena	0.00%	0.06%	0.13%	0.19%	0.25%
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3.6 Review of the measure	<p>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)?</p> <p>The measure will be revised at least annually.</p>																								
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-	<p>Please list here the name, overall scores, category scores, and indicator values of the identified O-SIIs related to</p> <ul style="list-style-type: none"> a. size; b. importance for the economy of the relevant Member State or the Union, capturing substitutability/financial institution infrastructure; c. complexity, including the additional complexities from cross-border activity; 																								

<p>SIIIs (Article 131.3)</p>	<p>d. interconnectedness of the institution or (sub-)group with the financial system.</p> <p>When notifying the ECB or EBA, please provide relevant information (methodology, calculations and formulas, data sources, information set used for denominators) in a separate Excel file.</p> <table border="1" data-bbox="427 367 1517 544"> <thead> <tr> <th>BANK</th> <th>Score</th> <th>Size</th> <th>Importance</th> <th>Complexity</th> <th>Interconnectedness</th> </tr> </thead> <tbody> <tr> <td>Unicredit Group spa</td> <td>3,844</td> <td>2,753</td> <td>2,465</td> <td>6,146</td> <td>4,011</td> </tr> <tr> <td>Gruppo Intesa-Sanpaolo</td> <td>2,215</td> <td>2,173</td> <td>2,385</td> <td>1,895</td> <td>2,405</td> </tr> <tr> <td>Gruppo Monte dei Paschi di Siena</td> <td>512</td> <td>539</td> <td>557</td> <td>263</td> <td>689</td> </tr> </tbody> </table> <p>Please refer to the attached file for a full description of the methodology used.</p>	BANK	Score	Size	Importance	Complexity	Interconnectedness	Unicredit Group spa	3,844	2,753	2,465	6,146	4,011	Gruppo Intesa-Sanpaolo	2,215	2,173	2,385	1,895	2,405	Gruppo Monte dei Paschi di Siena	512	539	557	263	689
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<p>4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</p>	<p>Please provide information on:</p> <ol style="list-style-type: none"> whether you followed the EBA guidelines on the assessment of O-SIIIs which threshold score has been set to identify O-SIIIs which overall score is attributed to the O-SIIIs which of the optional indicators have been used to justify supervisory assessment decisions, if any, and what are the scores why these optional indicators are relevant for the Member State why the bank is systemically important in terms of those particular optional indicators whether relevant entities with relative total assets not in excess of 0.02% have been excluded from the identification process names and scores of all relevant entities not excluded from the identification process (could be sent in a separate excel file, see 4.1) whether non-bank institutions have been included in the calculations <p>The identification process has followed the methodology set out in the EBA’s Guidelines (EBA/GL/2014/10). Accordingly, the systemic importance of institutions has been assessed using ten mandatory indicators, referring to the following four different criteria: i) size, ii) importance (including substitutability/financial system infrastructure), iii) complexity/cross-border activity, iv) interconnectedness.</p> <p>The indicators have been computed and aggregated for all the institutions operating in Italy. In the cases in which FINREP variables were not available, the closest variables available at Banca d’Italia have been used.</p> <p>Banca d’Italia did not use any optional indicators among those listed by the EBA and opted to maintain the 350 (out of a total of 10,000) basis points threshold defined by the Guidelines as a limit for systemic importance. Hence, all institutions with a score above 350 basis point have been automatically identified as O-SIIIs.</p> <p>A more detailed illustration of the score attributed to each institution is contained in the attached file.</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-SIIIs? If yes, please list the respective institutions.</p> <p>Not applicable.</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 buffers (0.25%, 0.50%, 0.75% and 1.00%) according to the classification resulting from the cluster analysis. For more information please refer to the attached file.</p>
<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 scope for negative spillover externalities from failing systemically relevant financial institutions has been widely acknowledged. The O-SII buffer provision improves the total loss-absorbing capacity of such institutions, thus minimizing the risk of contagion and strengthening the resilience of the financial sector as a whole. At the same time, it would also correct for distortions in risk-taking incentives caused by any implicit public guarantee (moral hazard).</p> <p>The proposed calibration of the O-SII buffers are proportionate to the banks' systemic importance, as summarised by their own overall score. The 4 year phase-in would also allow for a gradual accumulation of capital buffers.</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>Not applicable.</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>Leakages or regulatory arbitrage are not expected.</p>
<p>6. Combinations and interactions with other measures</p>	
<p>6.1 Combinations between G-SII and O-SII buffers (Article 131.14)</p>	<p>In case both G-SII and O-SII criteria applied to the same institution at the consolidated level, which of the two buffers is the highest?</p> <p>One banking group identified as O-SII (UCG) also has a G-SII status and it is subject to a G-SII capital buffer (1.00% when fully implemented).</p>

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

<p>6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</p>	<p>Are any of the institutions subject to a systemic risk buffer?</p> <p>If yes, please provide the following information:</p> <ul style="list-style-type: none"> a. What is the level of the systemic risk buffer (in %) applied to the concerned institution 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? <p>Not applicable.</p>
<p>6.3 O-SII requirement for a subsidiary (Article 131.8)</p>	<p>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?</p> <p>Not applicable.</p>
<p>6.4 Interaction with other measures</p>	<p>How does the buffer requirement interact with other measures addressing the same risk (e.g. with other supervisory measures)?</p> <p>Unicredit Group has been identified as G-SII. The identification has occurred at consolidated level, in accordance with the principles developed by the Financial Stability Board and the Basel Committee on Banking Supervision, as well as the rules set out in the EU Regulation n. 1222/2014. According to the G-SII score, the bank is allocated to the first bucket, corresponding to a G-SII capital buffer equal to 1.00% of total risk weighted assets. In accordance with the transitional provision set out in art. 162(5) of the 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 increasing by 0.25% each year until 1 January 2019.</p> <p>The counter-cyclical capital buffer has been introduced on 1 January 2016. Banca d'Italia has decided to set the countercyclical capital buffer rate to zero for 2016. The rate is reviewed quarterly.</p>

<p>7. Miscellaneous</p>	
<p>7.1 Contact person(s) at notifying authority</p>	<p>Contact person(s) for further inquiries (name, phone number and e-mail address)</p> <p>Mr. Antonio Di Cesare Email: antonio.dicesare@bancaditalia.it Phone: +39 06 4792 3943</p>
<p>7.2 Any other relevant information</p>	<p>Not applicable.</p>