



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	Bulgarian National Bank																																																											
2. Description of the measure																																																												
2.1 Concerned institution or group of institutions	The measure is applied at individual and consolidated level on the following institutions:																																																											
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2.3 Name of the EU ultimate parent institution	Institution	Ultimate EU parent institution	LEI			
	UniCredit Bulbank AD	UniCredit S.p.A.	549300TRUWO2CD2G5692			
	DSK Bank EAD	OTP Bank Nyrt.	529900W3MOO00A18X956			
	United Bulgarian Bank AD	National Bank of Greece S.A.	5UMCZOEYKCVFAW8ZLO05			
	Raiffeisenbank (Bulgaria) EAD	Raiffeisen-Landesbanken-Holding GmbH	529900JP9C734S1LE008			
	Eurobank Bulgaria AD	Eurobank Ergasias S.A.	JEUVK5RWVJEN8W0C9M24			
	Societe Generale Expressbank AD	Société Générale SA	O2RNE8IBXP4R0TD8PU41			
	Piraeus Bank Bulgaria AD	Piraeus Bank S.A.	M6AD1Y1KW32H8THQ6F76			
	CIBANK JSC	KBC Group NV	213800X3Q9LSAKRUWY91			
2.4 Names of subsidiaries	N/A					
3. Timing of the measure						
3.1 Timing of the Decision	The date of the official decision of the BNB Governing Council is 10 November 2016.					
3.2 Timing of the Publication	It is planned for the notified measure to be published one month after the notification date, or approximately by 12 December 2016.					
3.3 Disclosure	The BNB will announce on its web-site the identified O-SII institutions, their respective overall scores, the respective buffer rates and the timeline of the phase-in of the buffer rates.					
3.4 Timing of Application	The intended date of activation is 1 January 2017.					
3.5 Phasing in	The phase-in period for the O-SII buffer rates will be from 2017 to 2020.					
3.6 Review of the measure	In accordance with the BNB Ordinance No. 8, Art. 9, (8) the BNB shall review annually the identification of O-SIIs and report the results to the systemically important institution concerned, to the European Commission (EC), the ESRB and the EBA and shall disclose the updated list of identified systemically important institutions.					
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)	The results from the application of the scoring methodology described in EBA/GL/2014/10 are presented in the table below:					
	Bank	Overall Score	Size	Importance (including substitutability/financial system infrastructure)	Complexity/cross-border activity	Inter-connectedness
	UniCredit Bulbank AD	1 977	2 083	1 939	2 604	1 280
	First Investment Bank AD	1 211	959	878	814	2 191
	DSK Bank EAD	1 130	1 279	1 204	1 107	931
	Eurobank Bulgaria AD	718	734	753	868	517
	Raiffeisenbank (Bulgaria) EAD	667	686	871	670	440
	United Bulgarian Bank AD	635	770	837	332	602
	Societe Generale Expressbank AD	611	628	626	866	325
	Central Cooperative Bank AD	514	536	469	185	866
	CIBANK JSC	469	305	281	663	626
	Piraeus Bank Bulgaria AD	344	322	389	375	289

<p>4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</p>	<ul style="list-style-type: none"> a. The BNB followed the EBA methodology described in the guidelines (EBA/GL/2014/10) on the assessment of O-SIIs. Supervisory data on highest consolidation level from FINREP as of 30 June 2016 was used, as well as additional payment systems' information. b. The BNB decided to use a threshold score of 275 in order to ensure for strategic homogeneity of the identified O-SIIs and provide for a maximum encompassing scope of the identified O-SIIs. c. The overall score, presented in the table under section 4.1 of the template above was used. d. No optional indicators were used in the identification process. e. N/A. Please refer to the answer to d) above. f. N/A. Please refer to the answer to d) above. g. N/A. All the 27 credit institutions domiciled in Bulgaria were included in the identification process. h. N/A. All the 27 credit institutions domiciled in Bulgaria were included in the identification process. The list of all credit institutions in Bulgaria is publicly available on the BNB web-site. i. Only credit institutions were included in the identification process. Investment firms are excluded from the identification process.
<p>4.3 Supervisory judgement</p>	<p>The list of O-SIIs was identified based on the quantitative approach in accordance with the EBA guidelines. At this stage the use supervisory judgement was not deemed necessary.</p>
<p>4.4 Calibrating the O-SII buffer</p>	<p>In order to calibrate the size of the O-SII buffers the BNB was guided primarily by the common EU-wide practice for reliance on the overall scores, calculated in accordance with the EBA guidelines. Also during the O-SII calibration the BNB took into account additional optional indicators, relevant for the specificities of the national economy. As a result the calibrated buffer rates, provided in the table under section 2.2 above, are corresponding to the relative systemic importance of the identified O-SIIs.</p> <p>In terms of timeline, when calibrating the buffer rates and their respective entry into force, the BNB took into account the supervisory measures in force for 2016 and 2017, introduced as a result of the 2016 asset quality review and stress test of the banking system. In view of the already sizable capital requirements for the banking system in Bulgaria as a whole (frontloading of the capital conservation buffer of 2.5% and the introduction of the systemic risk buffer of 3% of risk exposures in Bulgaria in 2014), the BNB deemed it necessary to ensure a smooth transition period for the introduction of the O-SII buffers. Thus without imposing additional burden on the credit cycle, the stability of the banking sector will be safeguarded.</p> <p>The early announcement of the O-SII buffer is in accordance with the common principles of macroprudential policy: predictability and transparency.</p>
<p>4.5 Effectiveness and proportionality of measure</p>	<p>The overall high capital requirements in Bulgaria have been ensuring the stability of the banking sector in Bulgaria for a long period of time. In the same manner, the identification of the O-SII institutions and the application of respective O-SII buffer rates will have positive impact on the overall resilience of the credit institutions. As mentioned above, the gradual phase-in of the O-SII buffers is expected to leave enough time for capital build-up without hampering the ability of the banking system to support economic growth.</p> <p>The O-SII buffers are proportionate to the relative size and systemic importance of the credit institutions in Bulgaria.</p>
<p>5. Cross-border and cross-sector impact of the measure</p>	

5.1 Assessment of cross-border effects and the likely impact on the internal market (Recommendation ESRB/2015/2)	<p>Potential cross-border effects of the measure are assessed as very limited in view of the fact that banks in Bulgaria have scarce cross-border activity. In addition due to the gradual phase-in of the buffer requirement and the solid capital position of the banking system, it is unlikely that additional capital transfer from the parent banks will be required.</p>																																																															
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	<p>Based on the assessment the potential for such regulatory arbitrage is limited. This observation is supported by the design of the measure, which is applicable at both individual and consolidated level.</p>																																																															
6. Combinations and interactions with other measures																																																																
6.1 Combinations between G-SII and O-SII buffers (Article 131.14)	<p>There is no G-SII institution operating in Bulgaria.</p> <p>At the same time some of the identified O-SII banks are subsidiaries of banks identified as either O-SII or G-SII.</p> <p>The BNB has not set the buffer rate on the O-SII at the current stage higher than 1%, which means that the applicable buffer rate is the one, determined by the BNB and provided in section 2.2 above.</p>																																																															
6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	<p>Yes, the BNB introduced the Systemic Risk Buffer at a rate of 3% of risk exposures located in Bulgaria in 2014. The buffer is applicable to all banks in the country on both individual and consolidated level. This means that banks identified as O-SII shall comply with the sum of the two buffer requirements.</p>																																																															
6.3 O-SII requirement for a subsidiary (Article 131.8)	<p>In accordance with the notifications available on the ESRB web-site, the following buffer rates apply to parent institutions of subsidiary banks in Bulgaria:</p> <table border="1" data-bbox="427 1267 1398 1500"> <thead> <tr> <th>Subsidiary institution</th> <th>Parent institution</th> <th>Type</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>UniCredit Bulbank AD</td> <td>UniCredit Group S.p.A.</td> <td>G-SII</td> <td>0.50%</td> <td>0.75%</td> <td>1.00%</td> <td>1.00%</td> </tr> <tr> <td>DSK Bank EAD</td> <td>OTP Bank Nyrt.</td> <td>O-SII</td> <td>0.50%</td> <td>1.00%</td> <td>1.50%</td> <td>2.00%</td> </tr> <tr> <td>United Bulgarian Bank AD</td> <td>National Bank of Greece S.A.</td> <td>O-SII</td> <td>0.00%</td> <td>0.00%</td> <td>0.25%</td> <td>0.50%</td> </tr> <tr> <td>Raiffeisenbank (Bulgaria) EAD</td> <td>Raiffeisen Bank International AG</td> <td>O-SII</td> <td>0.50%</td> <td>1.00%</td> <td>2.00%</td> <td>2.00%</td> </tr> <tr> <td>Eurobank Bulgaria AD</td> <td>Eurobank Ergasias S.A.</td> <td>O-SII</td> <td>0.00%</td> <td>0.00%</td> <td>0.25%</td> <td>0.50%</td> </tr> <tr> <td>Societe Generale Expressbank AD</td> <td>Société Générale SA</td> <td>G-SII</td> <td>0.50%</td> <td>0.75%</td> <td>1.00%</td> <td>1.00%</td> </tr> <tr> <td>Piraeus Bank Bulgaria AD</td> <td>Piraeus Bank S.A.</td> <td>O-SII</td> <td>0.00%</td> <td>0.00%</td> <td>0.25%</td> <td>0.50%</td> </tr> <tr> <td>CIBANK JSC</td> <td>KBC Bank</td> <td>O-SII</td> <td>1.00%</td> <td>1.50%</td> <td>1.50%</td> <td>1.50%</td> </tr> </tbody> </table> <p>Source: ESRB and CB web-sites.</p>	Subsidiary institution	Parent institution	Type	2017	2018	2019	2020	UniCredit Bulbank AD	UniCredit Group S.p.A.	G-SII	0.50%	0.75%	1.00%	1.00%	DSK Bank EAD	OTP Bank Nyrt.	O-SII	0.50%	1.00%	1.50%	2.00%	United Bulgarian Bank AD	National Bank of Greece S.A.	O-SII	0.00%	0.00%	0.25%	0.50%	Raiffeisenbank (Bulgaria) EAD	Raiffeisen Bank International AG	O-SII	0.50%	1.00%	2.00%	2.00%	Eurobank Bulgaria AD	Eurobank Ergasias S.A.	O-SII	0.00%	0.00%	0.25%	0.50%	Societe Generale Expressbank AD	Société Générale SA	G-SII	0.50%	0.75%	1.00%	1.00%	Piraeus Bank Bulgaria AD	Piraeus Bank S.A.	O-SII	0.00%	0.00%	0.25%	0.50%	CIBANK JSC	KBC Bank	O-SII	1.00%	1.50%	1.50%	1.50%
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6.4 Interaction with other measures	<p>Until now there have been macroprudential measures aimed at addressing the systemic importance of credit institutions.</p>																																																															

7. Miscellaneous	
7.1 Contact person(s) at notifying authority	<p>Stoyan Manolov, Director of Macroprudential Supervision and Financial Stability Directorate, Banking Supervision Department, Bulgarian National Bank, e-mail: manolov@bnbank.org</p>

	<p>Elisaveta Pravova, Head of division at Macroprudential Supervision and Financial Stability Directorate, Banking Supervision Department, Bulgarian National Bank, e-mail: pravova.e@bnbank.org</p> <p>Ventsislav Hristev, Chief inspector, at Macroprudential Supervision and Financial Stability Directorate, Banking Supervision Department, Bulgarian National Bank, e-mail: hristev.v@bnbank.org</p> <p>Silvia Prokopieva, Head of division at Macroprudential Supervision and Financial Stability Directorate, Banking Supervision Department, Bulgarian National Bank, e-mail: prokopieva.s@bnbank.org</p>
7.2 Any other relevant information	N/A