

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	Danish Financial Supervisory Authority (Finanstilsynet)																					
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)?																					
	The designation of O-SIIs in Denmark applies at the highest possible level of consolidation.																					
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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.																						
Nordea Kredit Realkreditaktieselskab is a subsidiary of the Swedish Nordea Group (LEI code 6SCPQ280AIY8EP3XFW53).																						

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>The O-SII buffer is not applied in Denmark. The systemic risk buffer applies to the institution designated as O-SII at the highest possible level of consolidation and to each individual credit institution of the designated O-SII. Therefore, the systemic risk buffer applies to the following institutions:</p>												
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3. Timing of the measure													
3.1 Timing of the Decision	<p>What is the date of the official decision?</p> <p>The criteria for identification and designation of O-SIIs in Denmark were determined in a political agreement in 2013 voted through the Danish Parliament, i.e. the criteria are written in the law. The Danish FSA designates Danish O-SIIs according to these criteria at least annually. The O-SII buffer is not applied in Denmark. The Minister of Business sets the systemic risk buffer.</p>												
3.2 Timing of the Publication	<p>What is the date of publication of the notified measure?</p> <p>The yearly designation of O-SIIs was published 29th June 2017. The designation of Nordea Kredit Realkreditaktieselskab as an O-SII was published 3rd January 2017 as a consequence of the merger between Nordea AB and the subsidiary Nordea Bank Danmark. Previously, Nordea Bank Danmark was designated as an O-SII and as a parent company, the designation and the systemic risk buffer was also applied to Nordea Kredit Realkreditaktieselskab. The O-SII buffer is not applied in Denmark.</p>												

3.3 Disclosure	Information about the communication strategy of the notified measure to the market. The designation of O-SIIs is disclosed at the website of the Danish FSA (available in Danish only Link). The O-SII buffer is not applied in Denmark. The systemic risk buffer is disclosed at the website of the Ministry of Business (available in Danish only Link)
3.4 Timing of Application	What is the intended date of activation (i.e. as of which date shall the measure be applicable)? O-SIIs in Denmark were designated for the first time in June 2014 and the institution-specific systemic risk buffer applied from 1 st January 2015. The O-SII buffer is not applied in Denmark.
3.5 Phasing in	What is the intended timeline for the phase-in of the measure? The systemic risk buffer is gradually phased-in from 1st January 2015 to 1st January 2019. The O-SII buffer is not applied in Denmark.
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 identification of O-SIIs and the allocation into subcategories is reviewed at least annually and always in the months of May/June. The systemic risk buffer is reviewed and disclosed by the Ministry of Business subsequently. The O-SII buffer is not applied in Denmark.

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					
	<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; d. interconnectedness of the institution or (sub-)group with the financial system. 					
	The designation of O-SIIs in Denmark is according to criteria determined in a political agreement from 2013 voted through the Danish Parliament. Please see section 4.2. However, the Danish FSA follows the EBA guidelines on identification of O-SIIs which results in the following scores:					
	O-SII institution	Overall score	Criterion			
			Size	Importance (substitutability/financial system infrastructure)	Complexity/cross-border activity	Interconnectedness
	Danske Bank A/S	6,021	4,961	6,064	7,460	5,606
	Nykredit Realkredit A/S	1,511	2,200	1,278	827	1,740
	Nordea Kredit Realkreditaktieselskab	373	687	295	0	513
Jyske Bank A/S	788	922	898	426	907	
Sydbank A/S	244	230	350	154	242	
DLR Kredit A/S	135	245	114	6	177	

4.2 Methodology and indicators used for designation of the O-SII

(Article 131.3)

Please provide information on:

a. whether you followed the EBA guidelines on the assessment of O-SIIs

Yes – but supervisory assessment is not relevant since the identification of O-SIIs in Denmark is based on three criteria (optional indicators, cf. EBA guidelines) determined in a political agreement in 2013 voted through the Danish Parliament.

b. which threshold score has been set to identify O-SIIs

The designation of O-SIIs in Denmark is according to three criteria and threshold values determined in a political agreement in 2013 voted through the Danish Parliament. See the text and table below. The three criteria are listed as optional indicators in the EBA guidelines. The Danish FSA follows the EBA guidelines. Using the mandatory indicators, Sydbank A/S and DLR Kredit A/S is below the automatic threshold score of 350. However, Sydbank A/S and DLR Kredit A/S have been identified as O-SIIs based on criteria (optional indicators, cf. EBA guidelines) determined in a political agreement in 2013 voted through the Danish Parliament.

c. which overall score is attributed to the O-SIIs

See the table below.

d. which of the optional indicators have been used to justify supervisory assessment decisions, if any, and what are the scores

Supervisory assessment decisions are not relevant since the identification of O-SIIs in Denmark is based on quantitative optional indicators determined in a political agreement in 2013 voted through the Danish Parliament. See the text and table below.

e. why these optional indicators are relevant for the Member State

The designation of O-SIIs in Denmark is based on three criteria determined in a political agreement in 2013 voted through the Danish Parliament. These criteria are listed as optional indicators in the EBA guidelines.

f. why the bank is systemically important in terms of those particular optional indicators

An institution is automatically designated as O-SII when the institution is above the threshold value for just one of the three criteria in two subsequent years. This was determined in a political agreement in 2013 voted through the Danish Parliament.

g. whether relevant entities with relative total assets not in excess of 0.02% have been excluded from the identification process

No

h. names and scores of all relevant entities not excluded from the identification process (could be sent in a separate excel file, see 4.1)

Separate file has been sent to EBA.

i. whether non-bank institutions have been included in the calculations

No

The identification of O-SIIs in Denmark is based on the following criteria, where only one needs to be met in order to be identified:

- Total assets in per cent of domestic GDP > 6.5 per cent
- Loans in per cent of the total lending by the domestic sector > 5 per cent
- Deposits in per cent of the total deposits of the domestic sector > 5 per cent

The criteria were determined in a political agreement in 2013 voted through the Danish Parliament. The criteria are consistent with optional indicators listed in the EBA guidelines.

O-SII institution	Automatic score > 350	Balance as % of GDP > 6.5	Loans as % of the sector's loans > 5	Deposits as % of the sector's deposits > 5
Danske Bank A/S	6,021	153,2	31.2	43.8
Nykredit Realkredit A/S	1,511	68.7	33.5	5.6
Nordea Kredit Realkreditaktieselskab	373	21.6	10.8	0.0
Jyske Bank A/S	788	28.5	11.6	12.8
Sydbank A/S	244	7.1	2.2	7.8
DLR Kredit A/S	135	7.6	3.8	0.0

Note: Values in bold indicate that the institution is above the threshold value.

The table above shows that the identification of O-SIIs in Denmark is consistent with the EBA guideline.

Danish O-SIIs are allocated into five different subcategories based on the level of systemic importance of the institutions. The systemic importance is calculated as an average of the total assets in per cent of the total assets of the sector, loans in per cent of the total lending by the sector and deposits in per cent of the total deposits of the sector. The allocation is shown below:

Subcategory	Score	O-SII institution
Subcategory 1	≤ 5	DLR Kredit A/S (2.1) Sydbank A/S (4.1)
Subcategory 2	[5-15[Nordea Kredit Realkreditaktieselskab (5.9) Jyske Bank A/S (11.2)
Subcategory 3	[15-25[Nykredit Realkredit A/S (20.4)
Subcategory 4	[25-35[-
Subcategory 5	≥ 35	Danske Bank A/S (41.5)

The Minister for Business sets the systemic risk buffer¹ for each subcategory, to be met by the identified O-SIIs, with a transitional period from 1 January 2015 to 1 January 2019.

4.3 Supervisory judgement

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.

The designation of O-SIIs in Denmark is according to three criteria and threshold values determined in a political agreement in 2013 voted through the Danish Parliament. No supervisory judgement is used to identify Danish O-SIIs. Using the mandatory indicators in the EBA guidelines, Sydbank A/S and DLR Kredit A/S is below the automatic threshold score of

¹ Link (in Danish): <http://em.dk/arbejdsomraader/det-finansielle-omraade#meddelelser-om-det-finansielle-omraade>

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4.4 Calibrating the O-SII buffer	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. The O-SII buffer is not applied in Denmark.
4.5 Effectiveness and proportionality of measure	Please provide a justification for why the O-SII buffer is considered likely to be effective and proportionate to mitigate the risk. The O-SII buffer is not applied in Denmark.
5. Cross-border and cross-sector impact of the measure	
5.1 Assessment of cross-border effects and the likely impact on the internal market (Recommendation ESRB/2015/2)	Assessment of the cross-border effects of the implementation of the draft measure. a. Assessment of the spillover channels operating via risk adjustment and regulatory arbitrage. Assessment of: <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). The O-SII buffer is not applied in Denmark.
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	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)? The O-SII buffer is not applied in Denmark.
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? There are no G-SIIs in Denmark and the O-SII buffer is not applied.
6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	Are any of the institutions subject to a systemic risk buffer? Yes, all identified O-SIIs in Denmark are subject to a systemic risk buffer, according to their systemic importance, cf. section 4.2. The systemic risk buffer is gradually phased-in towards 2019. If yes, please provide the following information: <ul style="list-style-type: none"> a. What is the level of the systemic risk buffer (in %) applied to the concerned institution The fully phased-in systemic risk buffer is: Danske Bank: 3% Nykredit Realkredit: 2% Nordea Kredit Realkreditaktieselskab: 1.5%

	<p>Jyske Bank: 1.5%</p> <p>Sydbank: 1%</p> <p>DLR Kredit: 1%</p> <p>b. Is the systemic risk buffer applied to all exposures located in your Member State only? No, the systemic risk buffer applies to all exposures.</p> <p>c. Is the systemic risk buffer applied at the same consolidation level as the O-SII buffer? The O-SII buffer is not applied in Denmark.</p>
6.3 O-SII requirement for a subsidiary (Article 131.8)	<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>Nordea Kredit Realkreditaktieselskab is a subsidiary of the Swedish Nordea Group. The requirement in Sweden is the highest of the G-SII buffer (1%), the O-SII buffer (2%) and the systemic risk buffer (3%) plus the systemic risk buffer under pillar II (2%). The total buffer requirement is 5% for the Nordea Group.</p>
6.4 Interaction with other measures	<p>How does the buffer requirement interact with other measures addressing the same risk (e.g. with other supervisory measures)?</p> <p>The O-SIIs in Denmark are beyond the institution-specific systemic risk buffer subject to more intensified supervision and stricter governance requirements than other credit institutions in Denmark.</p>

7. Miscellaneous	
7.1 Contact person(s) at notifying authority	<p>Contact person(s) for further inquiries (name, phone number and e-mail address)</p> <p>Amalie Christine Harsting, +45 33 55 82 35, aht@ftnet.dk</p>
7.2 Any other relevant information	