

Notification template for Article 131 of the Capital Requirements Directive (CRD) – Other Systemically Important Institutions (O-SIIs)

Template for notifying the European Central Bank (ECB) and the European Systemic Risk Board (ESRB) of the setting or resetting of an O-SII buffer under Article 131(7) CRD and of the identity of O-SIIs under Article 131(12) CRD

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation¹);
- [DARWIN/ASTRA](#) when notifying the ESRB.

The ESRB will forward this notification to the European Commission, to the European Banking Authority (EBA) and to the competent and designated authorities of the Member States concerned without delay and will publicly disclose the names of the O-SIIs on its website. This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure².

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. To facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority			
1.1 Name of the notifying authority	Central Bank of Ireland		
1.2 Country of the notifying authority	Ireland		
2. Description of the measure			
2.1a Institution or group of institutions concerned	Name of institution	LEI	Consolidation level
	AIB Group plc (AIB)	635400AKJBGNS5WNQL34	Consolidated
	Bank of America Europe DAC (BAE)	EQYXK86SF381Q21S3020	Individual
	Barclays Bank Ireland plc (BBI)	2G5BKIC2CB69PRJH1W31	Individual
	Bank of Ireland Group plc (BOI)	635400C8EK6DRI12LJ39	Consolidated
	Citibank Holdings Ireland Ltd (Citibank)	549300K7L8YW8M215U46	Consolidated
	Ulster Bank Ireland DAC (UBIDAC)	635400KQIMALJ4XLAD78	Individual
2.1b Changes to the list of institutions concerned	NA		

¹ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (*OJ L 287, 29.10.2013, p. 63*).

² On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

2.2 Level of the buffer applied	At what level is the fully phased-in buffer (in %) applied to the institution(s)?						
	Name of institution		New O-SII buffer		Previous O-SII buffer		
	AIB		1.50%		1.50%		
	BAE		0.75%		0.75%		
	BBI		1.00%		1.00%		
	BOI		1.50%		1.50%		
Citibank		1.00%		1.00%			
UBIDAC		0.50%		0.50%			
2.3 Name of the ultimate EU parent institution	NA						
2.4 Names of subsidiaries	NA						
3. Timing for the measure							
3.1 Timing for the decision	Decision scheduled for 08/11/2022						
3.2 Timing for publication	Publication scheduled for 24/11/2022						
3.3 Disclosure	The identification of O-SIIs and their associated buffers will be disclosed as part of the Central Bank's Financial Stability Review and on the website of the Central Bank of Ireland.						
3.4 Timing for application	The review has not resulted in policy changes. Fully phased-in buffers for all six institutions have applied since 1 January 2022.						
3.5 Phasing in	NA						
3.6 Review of the measure	The list of identified O-SIIs and associated buffer rates are to be reviewed on an annual basis						
4. Reason for O-SII identification and activation of the O-SII buffer							
4.1 Scores of institutions or group of institutions concerned, as per EBA guidelines on the assessment of O-SIIs (Article 131.3 CRD)	Name of institution		Size	Substitutability	Complexity	Interconnectedness	Overall Score
	BBI		1477	890	3678	2178	2055
	Citibank		1006	2608	1598	599	1453
	BOI		1676	1808	741	947	1293
	AIB		1611	2046	198	743	1150
	BAE		750	485	858	826	730
	UBIDAC		352	431	53	142	245
4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)	<p>The assessment of credit institution O-SIIs was conducted in line with the EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU in relation to the assessment of O-SIIs (EBA/GL/2014/10). Five institutions (AIB, BOI, BAE, BBI and Citi) were identified as part of the EBA mandatory scoring with each exceeding the standard 350 basis point threshold set out in the EBA guidelines and the overall scores are outlined in section 4.1.</p> <p>One institution, UBIDAC, was designated as an O-SII on the basis of supervisory overlay given its importance in terms of financial intermediation with the domestic non-financial private sector. This supervisory assessment puts emphasis on domestic indicators of systemic importance and complements the EBA's</p>						

	<p>mandatory scoring methodology by measuring activities that are critical to the Irish economy and financial system.</p>
<p>4.3 Supervisory judgement</p>	<p>Five credit institutions identified by the mandatory scoring process using the standard 350bps threshold in the EBA guidelines were identified as O-SIIs. Supervisory judgement, was also employed and identified one additional institution, UBIDAC, as an O-SII as outlined in 4.2.</p>
<p>4.4 Calibrating the O-SII buffer</p>	<p>The Irish banking system is composed of both a small number of domestically focused retail banks and a number of internationally focused institutions, some of whom are large and complex. This heterogeneous make-up of the banking sector has implications for the Central Bank’s strategy around the identification of, and setting of buffers for, systemically important institutions, as the channels through which these different types of institutions can affect systemic risk vary. As a result, the Central Bank considers measures of systemic importance relating to institutions’ linkages with the domestic economy as well as broader measures that would be relevant from the perspective of European financial stability. As such, the O-SII buffers applied by the Central Bank ensure that those institutions which are most systemically important to the Irish economy have buffers which reflect this domestic importance and those with less direct links to the economy have buffers which acknowledge the systemic importance through their international business and size. On balance across these dimensions of systemic importance the following emerges:</p> <ul style="list-style-type: none"> • AIB and BOI – highly systemically important across the three metrics of EBA score, size and their role in domestic financial intermediation. • BBI and Citibank - high scoring in terms of EBA score reflecting the level of complexity of their balance sheets and the interconnectedness these institutions have with the wider EU financial system. However, both banks have limited roles in terms of domestic financial intermediation. • BAE – relatively limited direct involvement with the domestic economy when compared to the more retail-orientated banks and somewhat lower scoring than BBI and Citibank under the EBA approach. As is the case with BBI and Citibank, balance sheet complexity and interconnectedness with wider EU financial system are the main contributing factors to the overall EBA score. • UBIDAC – lower scoring than the other institutions but systemically important in terms of its financial intermediation role with the domestic private sector. <p>Implied buffer rates are calculated for each institution across the three measures of systemic importance, using a scaling method where the most systemically important institution receives a buffer of 1.5 per cent. In addition, although buffers are not directly calibrated from the results, implied buffers based on an application of the equal expected impact approach to Ireland also inform the buffer setting process.</p>

	Proposed buffer rates are also benchmarked against the ECB floor methodology. The buffer rates arising from this year’s review comply with the floor methodology.
4.5 Effectiveness and proportionality of measure	<p>The objective of the O-SII buffer is to reduce the probability of failure of a systemically important institution. The buffer enhances the resilience of these institutions, which due to the scale or nature of their business are of systemic importance, by providing an additional layer of loss absorbing capital. A higher capital requirement for these institutions acknowledges the greater impact that their failure would have.</p> <p>As outlined above, the buffers are informed by quantitative methodologies and commensurate with the degree of systemic importance of an institution.</p>
5. Sufficiency, consistency and non-overlap of the policy response	
5.1 Sufficiency of the policy response	O-SII buffers enhance the resilience of institutions, which due to the scale or nature of their business are of systemic importance, by providing an additional layer of loss absorbing capital. As discussed above, the O-SII buffer is an institution-specific requirement which takes account of the systemic footprint of each institution. The proposed buffer rates are in compliance with the ECB O-SII floor methodology.
5.2 Consistency of application of the policy response	<p>As outlined in ESRB Recommendation 2013/1 the O-SII buffer is consistent with the objective of limiting the systemic impact of misaligned incentives with a view to reducing moral hazard.</p> <p>As outlined elsewhere in this notification, the Central Bank carries out its annual OSII assessment in line with relevant European requirements and guidelines.</p> <ul style="list-style-type: none"> • The identification of credit institution O-SIIs is conducted in line with the EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU in relation to the assessment of O-SIIs (EBA/GL/2014/10) • Buffer rates are set in accordance with CRD taking into account the criteria for identification while acknowledging the specificities of the Irish banking system. • The proposed buffer rates are in compliance with the ECB O-SII floor methodology. <p>The O-SII buffer rates are broadly consistent with those buffer rates set in other European countries.</p>
5.3 Non-overlap of the policy response	NA – no overlapping active policy tools.
6. Cross-border and cross-sector impact of the measure	

<p>6.1 Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2³)</p>	<p>Overall effects are considered to be limited.</p> <p>The O-SII buffers are not expected to provide a material incentive for institutions to alter the geographical distribution of assets or cross-border group structure.</p> <p>The O-SII buffer rates are not out of line with those buffer rates set in other European countries.</p> <p>The application of the aforementioned O-SII buffers is expected to increase the resilience of the Irish financial system, which will have positive spillovers to the EU financial system.</p>
<p>6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>The scope for leakages or regulatory arbitrage is limited for the O-SII buffer, in line with Chapter 11 of the ESRB handbook on reciprocity.</p>
<p>7. Combinations and interactions with other measures</p>	
<p>7.1 Combinations between G-SII and O-SII buffers (Article 131.14)</p>	<p>NA</p>
<p>7.2 Combinations with systemic risk buffers (SyRBs) (Article 131.15 CRD)</p>	<p>None of the O-SIIs identified are subject to a systemic risk buffer.</p>
<p>7.3 O-SII requirement for a subsidiary (Article 131.8 CRD)</p>	<p>NA</p>
<p>8. Miscellaneous</p>	
<p>8.1 Contact person(s)/mailbox at notifying authority</p>	<p>Gordon Barham – gordon.barham@centralbank.ie</p> <p>Conor Kelly - conor.kelly@centralbank.ie</p> <p>macroprudential@centralbank.ie</p>
<p>8.2 Any other relevant information</p>	<p>The Irish banking sector continues to evolve. The announced withdrawal of two retail banks from the domestic market will likely result in changes in the size and scale of remaining institutions as well as alter the overall landscape of the banking sector. These developments have led to – and will continue to lead to – changes in the Irish banking system. In turn, they will feed through to the O-SII assessments carried out by the Central Bank.</p>
<p>8.3 Date of the notification</p>	<p>24/10/2022</p>

³ Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).