

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);
- notifications@esrb.europa.eu 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	Banco de Portugal									
1.2 Country of the notifying authority	Portugal									
2. Description of the measure										
2.1a Institution or group of institutions concerned	On which institution(s) is the measure applied (name and Legal Entity Identifier (LEI) code)?									
	In accordance with a preliminary decision taken by the Board of Directors, the following institutions have been identified as O-SIIs in Portugal based on the scores using data as of end-2021.									
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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authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

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2.1b Changes to the list of institutions concerned	Caixa Central – Caixa Central de Crédito Agrícola Mútuo, SA is for the first time identified as an O-SII as its score exceeded the 350 bps threshold, following the EBA guidelines for identification.																								
2.2 Level of the buffer applied	<p>At what level is the fully phased-in buffer (in %) applied to the institution(s)?</p> <p>In accordance with a final decision taken by the Board of Directors, the following O-SII's buffers rates apply:</p> <table border="1"> <thead> <tr> <th>Name of institution</th> <th>New O-SII buffer</th> <th>Previous O-SII buffer</th> </tr> </thead> <tbody> <tr> <td>Caixa Geral de Depósitos, SA</td> <td>1.00%</td> <td>1.00%</td> </tr> <tr> <td>Banco Comercial Português, SA</td> <td>1.00%</td> <td>1.00%</td> </tr> <tr> <td>LSF Nani Investments S.à.r.l.</td> <td>0.50%</td> <td>0.50%</td> </tr> <tr> <td>Santander Totta, SGPS, SA</td> <td>0.50%</td> <td>0.50%</td> </tr> <tr> <td>Banco BPI, SA</td> <td>0.50%</td> <td>0.50%</td> </tr> <tr> <td>Caixa Económica Montepio Geral, Caixa Económica Bancária, SA</td> <td>0.25%</td> <td>0.25%</td> </tr> <tr> <td>Caixa Central – Caixa Central de Crédito Agrícola Mútuo, SA</td> <td>0.25%</td> <td>n.a.</td> </tr> </tbody> </table>	Name of institution	New O-SII buffer	Previous O-SII buffer	Caixa Geral de Depósitos, SA	1.00%	1.00%	Banco Comercial Português, SA	1.00%	1.00%	LSF Nani Investments S.à.r.l.	0.50%	0.50%	Santander Totta, SGPS, SA	0.50%	0.50%	Banco BPI, SA	0.50%	0.50%	Caixa Económica Montepio Geral, Caixa Económica Bancária, SA	0.25%	0.25%	Caixa Central – Caixa Central de Crédito Agrícola Mútuo, SA	0.25%	n.a.
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2.3 Name of the ultimate EU parent institution	<p>Please provide the name and LEI code of the ultimate EU parent institution of the group for each of the O-SIIs identified. If the ultimate EU parent institution is not the concerned institution itself.</p> <table border="1"> <thead> <tr> <th>Name of identified O-SII</th> <th>Ultimate EU parent institution</th> <th>LEI of ultimate parent institution</th> </tr> </thead> <tbody> <tr> <td>Santander Totta, SGPS, SA</td> <td>Banco Santander S.A.</td> <td>5493006QMFDMDMYIAM13</td> </tr> <tr> <td>Banco BPI, SA</td> <td>Caixabank, S.A.</td> <td>7CUN5533WIDGK7DGF187</td> </tr> </tbody> </table>	Name of identified O-SII	Ultimate EU parent institution	LEI of ultimate parent institution	Santander Totta, SGPS, SA	Banco Santander S.A.	5493006QMFDMDMYIAM13	Banco BPI, SA	Caixabank, S.A.	7CUN5533WIDGK7DGF187															
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2.4 Names of subsidiaries	<p>If any of the O-SIIs identified is a parent institution and the buffer is applied at a (sub)consolidated level, please name the subsidiaries of the institution that are notified as O-SIIs (please give names and LEI codes).</p> <p>Not applicable.</p>																								
3. Timing for the measure																									
3.1 Timing for the decision	<p>What is the date of the official decision? For SSM countries when notifying the ECB: provide the date on which the decision referred to in Article 5 of the Single Supervisory Mechanism Regulation (SSMR) will be taken.</p> <p>25/10/2022</p>																								
3.2 Timing for publication	<p>What is the date of publication of the notified measure?</p> <p>30/11/2022</p>																								
3.3 Disclosure	<p>Information about the strategy for if the communicating the notified measure to the market.</p> <p>Please provide a link to the public announcement, if any.</p> <p>Banco de Portugal will publish, after the close of the market, on its website (https://www.bportugal.pt/en/page/o-sii-capital-buffer) the list of institutions designated as O-SIIs and their corresponding O-SII buffer requirement on</p>																								

	November 30, 2022. This information will be available in Portuguese and in English. In addition, it will communicate its decision to each institution designated as O-SII.																																				
3.4 Timing for application	What is the intended date of application of the measure ? 01/01/2023																																				
3.5 Phasing in	<p>What is the intended timeline for the phase-in of the measure?</p> <table border="1"> <thead> <tr> <th>Name of institution</th> <th>1 January 2023</th> <th>1 June 2023</th> </tr> </thead> <tbody> <tr> <td>Caixa Geral de Depósitos, SA</td> <td>1.00%</td> <td></td> </tr> <tr> <td>Banco Comercial Português, SA</td> <td>1.00%</td> <td></td> </tr> <tr> <td>LSF Nani Investments S.à.r.l.</td> <td>0.50%</td> <td></td> </tr> <tr> <td>Santander Totta, SGPS, SA</td> <td>0.50%</td> <td></td> </tr> <tr> <td>Banco BPI, SA</td> <td>0.50%</td> <td></td> </tr> <tr> <td>Caixa Económica Montepio Geral, Caixa Económica Bancária, SA</td> <td>0.25%</td> <td></td> </tr> <tr> <td>Caixa Central – Caixa Central de Crédito Agrícola Mútuo, SA</td> <td>-</td> <td>0.25%</td> </tr> </tbody> </table> <p>The O-SII buffer requirement in Portugal was introduced in 2017 with a four-year phase-in period as follows:</p> <ul style="list-style-type: none"> 1 January 2018: 25% of the fully loaded O-SII buffer 1 January 2019: 50% of the fully loaded O-SII buffer 1 January 2020: 75% of the fully loaded O-SII buffer 1 January 2021: 100% of the fully loaded O-SII buffer <p>In 2019, the phase-in period for Banco Comercial Português, SA has been extended to 1 of January 2022 in accordance with the upward revision of 0.25 percentage points of the corresponding O-SII buffer rate (fully loaded buffer rate is 1.00% on 1 January 2022).</p> <p>In 2020, the phase-in period to comply with the O-SII buffer was postponed by one year due to the outbreak of the COVID-19 pandemic crisis. Accordingly, the fully loaded O-SII buffer requirements apply as of 1 January 2022 for all institutions, except for Banco Comercial Português, SA to which the fully loaded O-SII buffer requirement applies as of 1 January 2023.</p> <p>For the newly identified O-SII Caixa Central – Caixa Central de Crédito Agrícola Mútuo, SA, the fully loaded O-SII buffer rate applies as of 1 June 2023.</p>	Name of institution	1 January 2023	1 June 2023	Caixa Geral de Depósitos, SA	1.00%		Banco Comercial Português, SA	1.00%		LSF Nani Investments S.à.r.l.	0.50%		Santander Totta, SGPS, SA	0.50%		Banco BPI, SA	0.50%		Caixa Económica Montepio Geral, Caixa Económica Bancária, SA	0.25%		Caixa Central – Caixa Central de Crédito Agrícola Mútuo, SA	-	0.25%												
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3.6 Review of the measure	<p>When will the measure be reviewed (Article 131, paragraphs (6) and (12), specify that the buffer, the identification of O-SIIs and their allocation to subcategories must be reviewed at least annually)?</p> <p>The list of O-SIIs and corresponding O-SII buffer requirements will be reviewed at least annually, as required under CRD IV (since CRD V has not been transposed to the Portuguese legislation yet). Accordingly, the next review exercise is foreseen to be concluded by November 30, 2023, unless a significant restructuring process takes place, namely through merger and acquisitions.</p>																																				
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)	<table border="1"> <thead> <tr> <th>Name of institution</th> <th>Size</th> <th>Substitutability</th> <th>Complexity</th> <th>Interconnectedness</th> <th>Overall Score</th> </tr> </thead> <tbody> <tr> <td>Banco Comercial Português, SA</td> <td>522</td> <td>465</td> <td>858</td> <td>431</td> <td>2276</td> </tr> <tr> <td>Caixa Geral de Depósitos, SA</td> <td>584</td> <td>488</td> <td>639</td> <td>365</td> <td>2076</td> </tr> <tr> <td>Santander Totta, SGPS, SA</td> <td>317</td> <td>488</td> <td>215</td> <td>252</td> <td>1272</td> </tr> <tr> <td>LSF Nani Investments S.à.r.l.</td> <td>252</td> <td>288</td> <td>231</td> <td>291</td> <td>1062</td> </tr> <tr> <td>Banco BPI, SA</td> <td>232</td> <td>266</td> <td>153</td> <td>210</td> <td>861</td> </tr> </tbody> </table>	Name of institution	Size	Substitutability	Complexity	Interconnectedness	Overall Score	Banco Comercial Português, SA	522	465	858	431	2276	Caixa Geral de Depósitos, SA	584	488	639	365	2076	Santander Totta, SGPS, SA	317	488	215	252	1272	LSF Nani Investments S.à.r.l.	252	288	231	291	1062	Banco BPI, SA	232	266	153	210	861
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<p data-bbox="204 840 475 981">4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</p>	<p data-bbox="574 470 1445 728">The scoring methodology set out in EBA guidelines has been applied to designate institutions as O-SIIs in Portugal. However, Banco de Portugal has chosen to exercise its option of supervisory judgement to capture particular features of the Portuguese banking system, namely the presence of only a few institutions in the Portuguese islands whose financial intermediation activity is not easily replaced in case of a failure or distress. For that purpose, Banco de Portugal has added two indicators from the list made available by EBA within the importance criterion. Institutions with a score of at least 350 basis points are designated as O-SII.</p> <p data-bbox="574 739 1300 772">In order to compute the scores, the following indicators were used:</p> <ul data-bbox="622 784 1445 1097" style="list-style-type: none"> - Size: Total assets; - Importance: value of domestic payments transactions, private sector deposits from depositors in the EU and private sector loans to recipients in the EU. The additional indicators used are: geographical breakdown of deposits and loans (Azores and Madeira); - Complexity: value of OTC derivatives (notional), cross-jurisdictional liabilities, cross-jurisdictional claims; - Interconnectedness: intra-financial system liabilities, intra-financial system assets, debt securities outstanding. <p data-bbox="574 1108 1445 1232">Detailed information on the scores of the designated O-SIIs and on the institutions considered in the identification exercise is provided in the attached Excel file to this notification. However, no additional institution has been designated as O-SII based on the application of supervisory judgement.</p> <p data-bbox="574 1243 1445 1310">No credit institutions have been excluded from the identification based on the fact that total assets do not exceed 0.02% of banking system total assets.</p> <p data-bbox="574 1321 1445 1377">More details on Banco de Portugal’s methodology are available in its website (https://www.bportugal.pt/en/page/o-sii-capital-buffer)</p>												
<p data-bbox="204 1444 534 1478">4.3 Supervisory judgement</p>	<p data-bbox="574 1384 1445 1478">Have any of the institutions listed in 2.1 been identified by applying supervisory judgement as laid down in EBA guidelines on the assessment of O-SIIs?</p> <p data-bbox="574 1489 1445 1556">No institution has been identified as O-SII through the use of supervisory judgement.</p>												
<p data-bbox="204 1668 478 1724">4.4 Calibrating the O-SII buffer</p>	<p data-bbox="574 1579 1445 1668">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 data-bbox="574 1691 1445 1780">Banco de Portugal follows a bucketing/clustering approach to calibrate the O-SII capital buffer. For more details please see the description of the methodology available in Banco de Portugal’s website.</p> <p data-bbox="574 1803 1077 1836">The following five buckets have been defined:</p>												

	<u>Bucket</u>	<u>Bucket limits</u>	<u>Buffer rate</u>
	5	>= 2800	2.00%
	4	2100-2799	1.00%
	3	1400-2099	0.75%
	2	700-1399	0.50%
	1	350-699	0.25%

Bucket 5 corresponds to an empty bucket, in the sense that no O-SII will be allocated to it. By considering an empty bucket, the competent authority signals the market and the O-SIIs that the latter could be asked to comply with a higher rate in the future if they become more systemically relevant.

In 2017, Banco de Portugal defined a four year phase-in period that started in January 2018 and was envisaged to end in January 2021. In 2019, Banco de Portugal decided to extend this period in one year only to Banco Comercial Português, SA given that the buffer requirement was revised upwards by 0.25 percentage points. In 2020, Banco de Portugal decided to postpone by one year the phase-in period to comply with the O-SII buffer due to the outbreak of the COVID-19 pandemic crisis. Accordingly, the fully loaded O-SII buffer requirements apply as of 1 January 2022 for all institutions, except for Banco Comercial Português, SA to which the fully loaded O-SII buffer requirement applies as of 1 January 2023.

For the newly identified O-SII Caixa Central – Caixa Central de Crédito Agrícola Mútuo, SA, the fully loaded O-SII buffer rate applies as of 1 June 2023.

Please provide a justification for why the O-SII buffer is considered likely to be effective and proportionate to mitigate the risk.

According to Banco de Portugal’s macroprudential stance, the O-SII buffer is a suitable instrument to address the macroprudential policy intermediate objective aimed at preventing the building up of systemic risks arising from misaligned incentives and moral hazard.³

The identification of systemically important institutions and the application of stricter capital requirements are based on the following rationale: when taking rational decisions to maximize profits, which can be viewed as optimal at the individual level, systemically important institutions may not internalize the negative externalities these decisions may cause to the financial system.⁴ Negative externalities comprise the impact of the failure or impairment of large, complex and interconnected financial institutions that may origin and amplify shocks throughout the financial system and have serious i) cross-border impact on the global financial system and the economy, in the case of G-SIIs, or ii) impact on the domestic financial system and economy, in the case of O-SIIs.

The introduction of the O-SII buffer is thereby suggested as a risk-mitigating measure, aiming at enhancing the resilience of the financial system by imposing stricter capital requirements to banking groups identified as systemically important at the domestic level. According to the Basel Committee on Banking Supervision, the main objective of the O-SII capital buffer is to reduce the probability of default of this type of institutions compared to non-systemic ones given the greater impact an O-SII failure is expected to have on the domestic financial system and the economy.

4.5 Effectiveness and proportionality of measure

³ Banco de Portugal (2014), “Macro-prudential policy in Portugal: objectives and instruments”.

⁴ Basel Committee on Banking Supervision (2012), “A framework for dealing with domestic systemically important banks”

	The assets of the Portuguese O-SIIs represented, in 2021, 86.4% of the total assets of the Portuguese banking sector and 168% of GDP. Therefore, the relevance of these institutions in the domestic banking system and the magnitude of the systemic risk that they may pose to the Portuguese economy are clear. Thus, the need for a capital buffer targeted to these institutions is largely justified.
5. Sufficiency, consistency and non-overlap of the policy response	
5.1 Sufficiency of the policy response	By imposing stricter capital requirements to institutions identified as systemically important at the domestic level, Banco de Portugal aims at reducing the risk of failure of this type of institutions and thereby enhance the resilience of the financial sector and reduce the likelihood of negative spillover effects to the economy. Given the relevance of the six O-SIIs to the domestic financial sector and the magnitude of the systemic risk that they may pose, the imposition of a capital buffer targeted to these institutions is largely justified. The calibration of the O-SII buffer rate by Banco de Portugal complies with the ECB floor methodology. In this context, the calibrated O-SII buffer rates are considered sufficient.
5.2 Consistency of application of the policy response	<p>The O-SII buffer is one of the instruments available in Banco de Portugal's macroprudential toolkit aiming at addressing the macroprudential policy intermediate objective of preventing the building up of systemic risk arising from misaligned incentives and moral hazard. This macroprudential policy instrument, by increasing the resilience of the financial system as a whole and increasing the capacity of the systemic institution to absorb potential losses, contributes to the fulfilment of one of Banco de Portugal's intermediate macroprudential policy objectives. This intermediate objective aims to strengthen the resilience of institutions of systemic importance in order to limit any incentives for excessive risk-taking by these institutions.</p> <p>Banco de Portugal's decision to impose the O-SII buffer involves firstly the identification of O-SIIs, following the methodology defined in EBA Guidelines. Once the O-SIIs in Portugal have been identified, the O-SII buffer rate to be applied to each of the identified institutions is determined based on the principle that the level of the O-SII buffer rate should be as high as the higher is the systemic importance of the banking group in question. For that purpose, a bucketing approach is followed (see 4.4 for details).</p>
5.3 Non-overlap of the policy response	No other policy instrument is activated to address the risks covered by the O-SII buffer. As such, we consider the policy instrument to be non-overlapping.
6. Cross-border and cross-sector impact of the measure	
6.1 Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2⁵)	<p>According to Recommendation ESRB/2015/2, the relevant activating authorities are recommended to assess, prior to their adoption, the cross-border effects of the implementation of their own macroprudential policy measures. In order to perform that assessment the spillover channels operating via risk adjustment and regulatory arbitrage should be gauged using the methodology set out in Chapter 11 of the ESRB Handbook. These spillovers are split in two types: cross-border effects of the implementation of macroprudential measures that affect the activating authorities (also known as inward spillovers) and those cross-border effects that impact the Single Market (also known as outward spillovers).</p> <p>In order to assess the potential cross-border effects, leakages and regulatory arbitrage of setting the O-SII capital buffer, the framework and the indicators, whenever available, set out in Chapter 11 of the ESRB Handbook are used.</p>

⁵ 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).

<p>6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>Referring to your Member State'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>Is there scope for "leakages and regulatory arbitrage" in other jurisdictions?</p> <p>The scope for leakages is limited in the sense that:</p> <ul style="list-style-type: none"> • This measure applies on the highest consolidated level for supervision purposes; • In Portugal the non-banking part of the financial system has a relatively small dimension and Banco de Portugal does not expect a material shift to other bank and non-bank financial entities. 									
<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>If both G-SII and O-SII criteria apply to the same institution at consolidated level, which of the two buffers is the highest?</p> <p>Not applicable, as no institution in Portugal is subject to both an O-SII and G-SII buffer.</p>									
<p>7.2 Combinations with systemic risk buffers (SyRBs) (Article 131.15 CRD)</p>	<p>Are any of the institutions identified as O-SIIs subject to a systemic risk buffer?</p> <p>Not applicable, as no institution in Portugal is subject to a systemic risk buffer.</p>									
<p>7.3 O-SII requirement for a subsidiary (Article 131.8 CRD)</p>	<p>If the O-SII is a subsidiary of an EU parent institution 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>Does the cap for the subsidiary prevent the implementation of a higher O-SII buffer based on the domestic buffer setting methodology?</p> <table border="1" data-bbox="574 1249 1423 1451"> <thead> <tr> <th>Name of O-SII subsidiary</th> <th>Name of the EU parent of the O-SII subsidiary</th> <th>Buffer applicable to O-SII EU parent</th> </tr> </thead> <tbody> <tr> <td>Santander Totta, SGPS, SA</td> <td>Banco Santander S.A. 5493006QMFDDMYWIAM13</td> <td>1.00%⁶</td> </tr> <tr> <td>Banco BPI, SA</td> <td>Caixabank, S.A. 7CUN533WD6K7DGF187</td> <td>0.25%⁷</td> </tr> </tbody> </table> <p>The O-SII buffer to be applied to Santander Totta, SGPS, SA is capped at 1.0% given the limits foreseen in the old version of article 131 (8), CRD IV, since CRD V has not been transposed into Portuguese legislation yet. As the fully loaded O-SII buffer imposed to Santander Totta, SGPS is 0.5% this cap is not binding.</p> <p>The O-SII buffer to be applied to Banco BPI, SA is capped at 1.0% given the limits foreseen in the old version of article 131 (8), CRD IV, since CRD V has not been transposed into Portuguese legislation yet. As the fully loaded O-SII buffer imposed to Banco BPI, SA is 0.5% this cap is not binding.</p>	Name of O-SII subsidiary	Name of the EU parent of the O-SII subsidiary	Buffer applicable to O-SII EU parent	Santander Totta, SGPS, SA	Banco Santander S.A. 5493006QMFDDMYWIAM13	1.00% ⁶	Banco BPI, SA	Caixabank, S.A. 7CUN533WD6K7DGF187	0.25% ⁷
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<p>8. Miscellaneous</p>										

⁶ O-SII buffer imposed to Banco Santander S.A. Equal to the G-SII buffer of the parent according to the FSB 2020 list of G-SII available at <https://www.fsb.org/2020/11/2020-list-of-global-systemically-important-banks-g-sibs/>

⁷ O-SII buffer imposed to Caixabank, S.A.

<p>8.1 Contact person(s)/mailbox at notifying authority</p>	<p>Contact person(s) (name, phone number and e-mail address) and mailbox for further inquiries.</p> <p>Ana Cristina Leal (Head of the Financial Stability Department) aleal@bportugal.pt +351 211 597083</p> <p>Fátima Silva (Head of the Macroprudential Policy Division) mfsilva@bportugal.pt +351 211 597024</p>
<p>8.2 Any other relevant information</p>	<p>Not applicable</p>
<p>8.3 Date of the notification</p>	<p>Please provide the date on which this notification was uploaded/sent.</p> <p>31/10/2022</p>