

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	Magyar Nemzeti Bank		
1.2 Country of the notifying authority	Hungary		
2. Description of the measure			
2.1a Institution or group of institutions concerned	Name of institution	LEI	Consolidation level
	OTP Bank Nyrt.	529900W3MOO00A1 8X956	highest level of consolidation
	MBH Bank Nyrt.	3H0Q3U74FVFED2S HZT16	highest level of consolidation
	UniCredit Bank Hungary Zrt.	Y28RT6GGYJ696PM W8T44	highest level of consolidation
	Kereskedelmi és Hitelbank Zrt.	KFUXYFTU2LHQFQ ZDQG45	highest level of consolidation

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authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

	ERSTE BANK HUNGARY Zrt.	549300XWJHRKLHU 2PS28	highest level of consolidation																								
	Raiffeisen Bank Zrt.	5493001U1K6M7JOL 5W45	highest level of consolidation																								
	CIB Bank Zrt.	549300MSY5NIVC0B ME80	highest level of consolidation																								
2.1b Changes to the list of institutions concerned	No change has been made since the last notification in October of 2022.																										
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	OTP Bank Nyrt.	SKB d. d. (Slovenia)	549300H7CCQ6BSQ BGG72			
	OTP Bank Nyrt.	Nova KBM d.d. (Slovenia)	549300J0GSZ83GTK BZ89			
3. Timing for the measure						
3.1 Timing for the decision	31/10/2023					
3.2 Timing for publication	30/11/2023					
3.3 Disclosure	The names of the institutions and their O-SII capital buffer requirements will be published on the webpage of the MNB.					
3.4 Timing for application	01/01/2024					
3.5 Phasing in	Date1: 2023					
	Date2: from 2024					
	Name of institution	Date1	Date2	Date3	Date4	Date5
	OTP Bank Nyrt.	1%	2%	%	%	%
	MBH Bank Nyrt.	0.5%	1%	%	%	%
	UniCredit Bank Hungary Zrt.	0.5%	1%			
	Kereskedelmi és Hitelbank Zrt.	0.5%	1%			
	ERSTE BANK HUNGARY Zrt.	0.25%	0.5%			
	Raiffeisen Bank Zrt.	0.25%	0.5%			
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3.6 Review of the measure	The MNB shall annually review the group of institutions identified as O-SIIs and their respective O-SII buffer requirements. The next identification exercise is expected to be carried out in the Autumn of 2024. (Sections 89 (3) and 90 (3) b) of the Hungarian Banking Act					
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
	OTP Bank Nyrt.	1088	894	621	702	3306
	MBH Bank Nyrt.	358	273	121	315	1067
	UniCredit Bank Hungary Zrt.	167	227	260	295	949
	Kereskedelmi és Hitelbank Zrt.	185	229	301	191	905

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<p>4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</p>	<ol style="list-style-type: none"> The MNB followed the EBA/GL/2014/10 guidelines on the assessment of O-SIIs. FINREP data were used for every available case following the guidelines' instructions, but it had to be supplemented by supervisory data reported to MNB for a significant number of institutions (these are typically the non-O-SII banks). In 2020 the threshold was lowered from 350 bps to 275 bps in accordance with EBA/GL/2014/10 Title II. For more detailed reasoning, see the notification on the decision that was taken by the Financial Stability Board of the MNB on 29 November 2020. At the same time, the lowering of the threshold has not influenced the identification this year. No credit institution domiciled in Hungary has been excluded because of its total asset size. See the annexed excel file. Non-bank institutions have not been included in the calculation, because their sectoral and institutional-level systemic importance has been assessed as marginal. 																																																																																

4.3 Supervisory judgement

The scores resulting from the weighted aggregate of the optional indicators are listed in Table 2 of 4.1 for every institution (see column Additional optional indicators (Title III)). There is no institution that has been identified as O-SII solely as a result of the inclusion of the Optional indicators and that has not been identified as an O-SII based on the standard (Title II) indicators and scores in step 1 (see point a. about the two-phases identification process followed by the MNB). The inclusion of Optional indicators is motivated by their contribution to the accuracy of the representation of relative systemic importance as the buffer calibration is based on the final scores.

- a. The MNB followed a two-step identification methodology in accordance with the guidelines. First, all the institutions that scored equal or higher than 350 bps using the 10 mandatory indicators following the standard identification methodology described in EBA/GL/2014/10 Title II were selected as O-SIIs. Second, a supplementary method was applied in accordance with Title III (13-14) to include the 5 Optional indicators listed below in point d. These indicators were included in order to provide a more robust and relevant country-specific representation of systemic risks in relation to systemic importance. Optional indicators have been quantitatively assessed by aggregating the indicators in a supplementary, additional criterion group. The supplementary criterion group was added to the 4 standard criterion groups with an equal weighting amongst the groups (i.e., a 20-percent group weight for every mandatory and for the one supplementary group). In the supplementary criterion group weights for Optional indicators were assigned according to a sum of squares type concentration index. Higher weights were assigned to the Optional indicators which were characterized by higher values of the concentration index. In this way critical activities pursued by fewer important institutions with considerable market shares are deemed to be more important systemically.
- b. The optional indicators taken from Annex 2 of the guidelines which have been found relevant are the following:
 - d1. Off-balance sheet items – market share based indicator aggregating outstanding credit facilities, guarantees and other off-balance sheet items carrying credit risk.
 - d2. Share in clearing and settlement system – summarizes information about the market share of retail customers' transactions in the clearing system (based on the volume and number of transactions).
 - d3. Assets under custody – market share in outstanding assets under custody.
 - d4. Interbank claims and/or liabilities – centrality-based analysis transformed into an additive indicator of unsecured interbank loans and deposits.
 - d5. Market transaction volumes or values – centrality-based analysis transformed into an additive indicator of FX swap transactions between credit institutions.
- c. The Optional indicators add substantial information about critical financial activities which are the least likely to be represented by the mandatory indicators. These indicators were selected based on analysis of correlations between basic and supplementary indicators and further expert judgement. Also these indicators proxy critical functions with high country specific importance and problematic substitutability for agents of the real economy (d1. and d2.) or the financial system (d3.) and help to describe financial interconnectedness of credit institutions including

	<p>network analysis approach highlighting the most important inter-bank market segments (d4. and d5.).</p> <p>d. To see how the systemic importance is augmented for each bank and for each indicator, see Table 2 of Box 4.1. There is no institution that has been identified as O-SII solely as a result of the inclusion of the Optional indicators and that has not been identified as an O-SII based on the standard (Title II) indicators and scores in step 1 (see point c. about the two-phases identification process followed by the MNB). The inclusion of Optional indicators is motivated by their contribution to the accuracy of the representation of relative systemic importance as the buffer calibration is based on the final scores.</p>
<p>4.4 Calibrating the O-SII buffer</p>	<p>The decision of the MNB on 1 April 2020 to temporarily release and gradually build back the O-SII buffers in the period 2022-2024 was calibrated with the aim of providing sufficient lending capacity to the systemically important credit institutions during the economic turbulence caused by the COVID pandemic.</p> <p>The envisaged buffer build-up paths were based on the calibration exercise of the MNB carried out to determine the final buffer rates. The relatively moderate changes in the distribution of the scores observed in the past years have not made it necessary to modify the targeted final buffer rates. For further information on the calibration, see:</p> <p>https://www.esrb.europa.eu/pub/pdf/other/esrb.notification200214_osii_hu~fdad1aa469.en.pdf</p> <p>Since the design and calibration of the buffer build-up path, only the merger of two O-SII banks into the MBH Bank Nyrt. made it necessary to supplement the calibration to cover the newly established institution. Its buffer rate has been determined based on the distribution of and distance between the O-SII scores.</p> <p>In 2024, buffer rates are increased by one-half of the expected final buffer rates, reaching their targeted final level on the planned buffer build-up path.</p>
<p>4.5 Effectiveness and proportionality of measure</p>	<p>The O-SII buffer is a targeted prudential instrument provided by CRDV to decrease the probability of failure and the consequent system wide impact of institutions that pose the greatest systemic risk as a combination of their size, the criticality of the financial functions they provide, and their highly connected positions. The increased resilience may impede the emergence of financial contagion caused by the default of highly interconnected institutions. It can safeguard the continued provision of critical financial services after taking massive losses, as market substitution of critical financial services in case of an O-SII failure may not be feasible in the short run. Moreover, the potential burden imposed by the default of these institutions on depositors and bondholders, the industry and in extreme cases on the government budget also motivates the introduction of a preventive regulatory instrument (complementing the efficient recovery and resolution system).</p> <p>Buffer rates have been assigned to different institutions proportionally by classifying O-SIIs into three groups according to their expected impact represented by their scores (see the link referred in 4.4). The highest buffer rate was assigned to OTP Bank Nyrt., which has a size above one-third of the whole market, plays a prominent role in intermediating funds to and from the real economy, is highly interconnected with the financial system and operates with the greatest degree of cross-border complexity among domestic systemically important institutions. All other institutions identified as O-SIIs contribute significantly to the supply of financial products and services to the real economy, are deeply interconnected with other credit institutions, and have considerable shares in financial transactions carried out through the major institutions of the domestic financial infrastructure.</p>

5. Sufficiency, consistency and non-overlap of the policy response	
5.1 Sufficiency of the policy response	<p>The CRDV framework designates the O-SII capital buffer as a singly available policy instrument to macroprudential authorities to strengthen the resilience and correct misaligned incentives of systemically important banks. The MNB has been prescribing a significant non-zero buffer rate to every identified institution in proportion to their systemic importance represented by the scores covering an extended range of relevant systemic risk indicators. The proportionality of the buffer rates with the scores provides sufficient additional loss absorbing capacity to mitigate the different expected systemic impacts of O-SII banks' failure according to the risk tolerance of the regulator.</p> <p>Rebuilding the buffers following the previously communicated phase-in plans safeguards the availability of solvency capital in the long run, while it promotes credibility and graduality.</p>
5.2 Consistency of application of the policy response	<p>Across Member States consistency is provided by following the relevant European requirements and guidelines, the CRD and the EBA/GL/2014/10, in carrying out the annual O-SII identification and the setting of the buffer rates. The level of the buffer rates is comparable to those set by other Member States for O-SII banks with similar systemic importance scores. Also, the proposed buffer rates are above the ECB O-SII buffer rate floors.</p> <p>Within Hungary, consistency is realized across banks by the proportionality of the buffer rates to the O-SII scores and in time by the stability of the methodology applied.</p>
5.3 Non-overlap of the policy response	<p>O-SIIs are subject to intensified supervisory attention and appropriate resolution planning; there are no other macroprudential policy instruments used to preventively address the systemic risks related to the systemic importance of these credit institutions and targeted by the O-SII buffer.</p>
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/2015/2³)	<p>a. Based on the assessment of the transmission channels of cross-border risk adjustment and regulatory arbitrage provided by the ESRB Handbook on Operationalising Macro-prudential Policy in the Banking Sector (Chapter 11), the possible negative cross-border impact of the measure is expected to be limited.</p> <p>b.</p> <ul style="list-style-type: none"> • Inward spillovers: The possible cross-border impact (leakages and regulatory arbitrage) is expected to be limited in Hungary. A possible channel of circumvention, the extension in systemic importance of branches or systemically less important institutions has not been observed in the previous years. • Outward spillovers and the overall impact on the Single Market: The MNB still does not expect material negative cross-border effects on other

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).

	<p>Member States or on the Single Market. The increased resilience of the O-SIIs is beneficial for their stakeholders in other Member States and contributes to the functioning, financial integration and harmonized regulation of the single market. Within the identified O-SIIs only OTP Group has substantial cross-border activity. As the O-SII buffers are applied on the highest level of consolidation, the realised O-SII buffer of the OTP Group does not incentivize the cross-border reallocation of banking activities from or to other Member States. Five of the seven identified O-SIIs are foreign parents' subsidiaries operating in Hungary. The relatively limited size of these subsidiaries within their respective banking groups does not make a significant impact likely. The share of the subsidiaries in the total capital, the CET1 capital or the total risk exposure amount of the ultimate parents is between 1 and 5 percent in every case. Due to the phase-in period which has started in 2022, these subsidiaries have been able to plan compliance and gradually allocate the necessary solvency capital.</p>												
<p>6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>Although systemically important banks face higher capital buffer requirements than other non-OSII banks, the latter are going to be automatically identified as O-SIIs if they grow significantly in size, in providing critical financial functions or in their interconnectedness. Consequently, if any such non-OSII credit institution grows due to its regulatory advantage of not being covered by the O-SII capital buffer regulation, the O-SII buffer requirements are going to be imposed on it following the regular yearly revision of systemic importance (or in case any unique incidence may render the revision necessary in-between the regular yearly reassessments). Non-bank financial intermediaries play only a limited, systemically non-significant role in substituting for various critical financial intermediary functions that the banking system provides. Furthermore, any cross-sectoral leakage that may increase the systemic relevance of non-bank financial institutions (e.g. investment firms) will be evaluated regularly and taken into account when identifying systemic institutions, but has not been observed so far.</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>The MNB has not identified any institutions as G-SIIs within its jurisdiction.</p> <table border="1" data-bbox="571 1330 1442 1480"> <thead> <tr> <th data-bbox="571 1330 927 1368">Name of institution</th> <th data-bbox="927 1330 1214 1368">O-SII buffer</th> <th data-bbox="1214 1330 1442 1368">G-SII buffer</th> </tr> </thead> <tbody> <tr> <td data-bbox="571 1368 927 1406"></td> <td data-bbox="927 1368 1214 1406" style="text-align: center;">%</td> <td data-bbox="1214 1368 1442 1406" style="text-align: center;">%</td> </tr> <tr> <td data-bbox="571 1406 927 1444"></td> <td data-bbox="927 1406 1214 1444" style="text-align: center;">%</td> <td data-bbox="1214 1406 1442 1444" style="text-align: center;">%</td> </tr> <tr> <td data-bbox="571 1444 927 1480"></td> <td data-bbox="927 1444 1214 1480" style="text-align: center;">%</td> <td data-bbox="1214 1444 1442 1480" style="text-align: center;">%</td> </tr> </tbody> </table>	Name of institution	O-SII buffer	G-SII buffer		%	%		%	%		%	%
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	%	%											
	%	%											
<p>7.2 Combinations with systemic risk buffers (SyRBs) (Article 131.15 CRD)</p>	<p>Currently there are no banks which are required to maintain a systemic risk buffer; the regulation targeting problematic commercial real estate (CRE) lending was suspended to mitigate the impacts of the COVID pandemic on the financial intermediary system. The risks associated with CRE lending cannot currently be considered excessive, but looking ahead, financial stability risks may build up in the market. As a prevention, the reactivation of the systemic risk buffer (SyRB) is going to be effective from 1 July 2024. The value of the institution specific SyRB rates will depend on the balance sheet adjustments the concerned banks are going to realize until next year; based on the latest data, no bank is expected to be prescribed a non-zero buffer rate given the preventive calibration of the measure. However, by definition, the sum of the systemic risk buffer rate as calculated for the purposes of paragraph 10, 11 or 12 of Article 133 CRD and the O-SII buffer rate to which the same institution is subject to is not going to be higher than 5 %, thus the procedure set out in paragraph 5a of Article 131 shall not apply.</p> <p>For further information on the systemic risk buffer, see the announcements on the following website:</p>												

	<p>https://www.mnb.hu/en/financial-stability/macprudential-policy/the-macprudential-toolkit/instruments-to-limit-excessive-exposure-concentrations</p> <table border="1" data-bbox="571 264 1423 654"> <thead> <tr> <th data-bbox="571 264 890 360">Name of institution</th> <th data-bbox="890 264 1098 360">SyRB rate</th> <th data-bbox="1098 264 1251 360">SyRB application level</th> <th data-bbox="1251 264 1423 360">Sum of G-SII/O-SII and SyRB rates</th> </tr> </thead> <tbody> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> </tbody> </table>	Name of institution	SyRB rate	SyRB application level	Sum of G-SII/O-SII and SyRB rates		%		%		%		%		%		%		%		%		%		%		%		%		%		%		%		%		%		%
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<p>7.3 O-SII requirement for a subsidiary (Article 131.8 CRD)</p>	<table border="1" data-bbox="571 698 1423 1167"> <thead> <tr> <th data-bbox="571 698 890 795">Name of O-SII subsidiary</th> <th data-bbox="890 698 1251 795">Name of the EU parent of the O-SII subsidiary</th> <th data-bbox="1251 698 1423 795">Buffer applicable to O-SII EU parent</th> </tr> </thead> <tbody> <tr> <td data-bbox="571 795 890 875">UniCredit Bank Hungary Zrt.</td> <td data-bbox="890 795 1251 875">UniCredit Group</td> <td data-bbox="1251 795 1423 875">1.5%</td> </tr> <tr> <td data-bbox="571 875 890 956">Kereskedelmi és Hitelbank Zrt.</td> <td data-bbox="890 875 1251 956">KBC Group</td> <td data-bbox="1251 875 1423 956">1.5%</td> </tr> <tr> <td data-bbox="571 956 890 1037">ERSTE BANK HUNGARY Zrt.</td> <td data-bbox="890 956 1251 1037">Erste Group Bank AG</td> <td data-bbox="1251 956 1423 1037">1.25%</td> </tr> <tr> <td data-bbox="571 1037 890 1117">Raiffeisen Bank Zrt.</td> <td data-bbox="890 1037 1251 1117">Raiffeisen Bank International AG</td> <td data-bbox="1251 1037 1423 1117">1.25%</td> </tr> <tr> <td data-bbox="571 1117 890 1167">CIB Bank Zrt.</td> <td data-bbox="890 1117 1251 1167">Gruppo Intesa Sanpaolo</td> <td data-bbox="1251 1117 1423 1167">1.25%</td> </tr> </tbody> </table>	Name of O-SII subsidiary	Name of the EU parent of the O-SII subsidiary	Buffer applicable to O-SII EU parent	UniCredit Bank Hungary Zrt.	UniCredit Group	1.5%	Kereskedelmi és Hitelbank Zrt.	KBC Group	1.5%	ERSTE BANK HUNGARY Zrt.	Erste Group Bank AG	1.25%	Raiffeisen Bank Zrt.	Raiffeisen Bank International AG	1.25%	CIB Bank Zrt.	Gruppo Intesa Sanpaolo	1.25%																						
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8. Miscellaneous																																									
<p>8.1 Contact person(s)/mailbox at notifying authority</p>	<p>Mr. Tamás Nagy, Director Directorate for Financial System Analysis Phone: +36 (1) 428 2600/2639 E-mail: nagyt@mnb.hu</p>																																								
<p>8.2 Any other relevant information</p>																																									
<p>8.3 Date of the notification</p>	<p>31/10/2023</p>																																								