

## 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](mailto:macropru.notifications@ecb.europa.eu) when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation<sup>1</sup>);
- [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 measure<sup>2</sup>.

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.	529900W3MOO00A18X956	highest level of consolidation
	MBH Bank Nyrt.	3H0Q3U74FVFED2SHZT16	highest level of consolidation
	UniCredit Bank Hungary Zrt.	Y28RT6GGYJ696PMW8T44	highest level of consolidation
	Kereskedelmi és Hitelbank Zrt.	KFUXYFTU2LHQFQZDQG45	highest level of consolidation

<sup>1</sup> 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).

<sup>2</sup> 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authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

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<b>2.1b Changes to the list of institutions concerned</b>	No change has been made since the last notification in October of 2022.																								
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<b>3. Timing for the measure</b>						
<b>3.1 Timing for the decision</b>	30/10/2024					
<b>3.2 Timing for publication</b>	01/12/2024					
<b>3.3 Disclosure</b>	The names of the institutions and their O-SII capital buffer requirements will be published on the webpage of the MNB.					
<b>3.4 Timing for application</b>	01/01/2025					
<b>3.5 Phasing in</b>	No phasing in is taking place since 1 January 2024.					
	<b>Name of institution</b>	<b>Date1</b>	<b>Date2</b>	<b>Date3</b>	<b>Date4</b>	<b>Date5</b>
<b>3.6 Review of the measure</b>	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 2025. (Sections 89 (3) and 90 (3) b) of the Hungarian Banking Act					
<b>4. Reason for O-SII identification and activation of the O-SII buffer</b>						
<b>4.1 Scores of institutions or group of institutions concerned, as per EBA guidelines on the assessment of O-SIIs (Article 131.3 CRD)</b>	Table 1 – Standard scores according to the EBA GL mandatory indicators					
	<b>Name of institution</b>	<b>Size</b>	<b>Substitutability</b>	<b>Complexity</b>	<b>Interconnectedness</b>	<b>Overall Score</b>
	OTP Bank Nyrt.	1198	927	741	857	3722
	MBH Bank Nyrt.	342	250	141	319	1052
	UniCredit Bank Hungary Zrt.	154	242	227	253	876
	Kereskedelmi és Hitelbank Zrt.	169	209	259	149	787
	Raiffeisen Bank Zrt.	134	212	190	172	707
	ERSTE BANK HUNGARY Zrt.	144	169	134	190	637
	CIB Bank Zrt.	100	84	83	108	376

	<p>The MNB identified the O-SII institutions according to its methodology determined and published in 2015. First, the scoring methodology described in EBA/GL/2014/10 Title II (6-8) was carried out, applying only the mandatory indicators of Annex 1 of the guidelines (see the above table for the results). Second, the scores calculated in the first step according to Title II were reweighted and according to Title III weighted optional indicators were added resulting in the final complete indicator set. The final scores are derived from the equally weighted (i.e., a 20 percent weight for each) arithmetic mean of the indicator category scores.</p> <p>Table 2 – Overall scores according to the mandatory and selected optional indicators</p> <table border="1" data-bbox="571 524 1442 1052"> <thead> <tr> <th>Institution</th> <th>Size</th> <th>Importance</th> <th>Complexity</th> <th>Inter-connectedness</th> <th>Additional optional indicators (Title III)</th> <th>Final overall score</th> </tr> </thead> <tbody> <tr> <td>OTP Bank Nyrt.</td> <td>958</td> <td>741</td> <td>593</td> <td>685</td> <td>598</td> <td><b>3575</b></td> </tr> <tr> <td>MBH Bank Nyrt.</td> <td>273</td> <td>200</td> <td>113</td> <td>255</td> <td>166</td> <td><b>1008</b></td> </tr> <tr> <td>UniCredit Bank Hungary Zrt.</td> <td>123</td> <td>194</td> <td>181</td> <td>202</td> <td>175</td> <td><b>876</b></td> </tr> <tr> <td>Kereskedelmi és Hitelbank Zrt.</td> <td>135</td> <td>167</td> <td>207</td> <td>119</td> <td>216</td> <td><b>845</b></td> </tr> <tr> <td>Raiffeisen Bank Zrt.</td> <td>107</td> <td>169</td> <td>152</td> <td>137</td> <td>114</td> <td><b>680</b></td> </tr> <tr> <td>ERSTE BANK HUNGARY Zrt.</td> <td>116</td> <td>135</td> <td>108</td> <td>152</td> <td>112</td> <td><b>622</b></td> </tr> <tr> <td>CIB Bank Zrt.</td> <td>80</td> <td>67</td> <td>67</td> <td>87</td> <td>119</td> <td><b>419</b></td> </tr> </tbody> </table>	Institution	Size	Importance	Complexity	Inter-connectedness	Additional optional indicators (Title III)	Final overall score	OTP Bank Nyrt.	958	741	593	685	598	<b>3575</b>	MBH Bank Nyrt.	273	200	113	255	166	<b>1008</b>	UniCredit Bank Hungary Zrt.	123	194	181	202	175	<b>876</b>	Kereskedelmi és Hitelbank Zrt.	135	167	207	119	216	<b>845</b>	Raiffeisen Bank Zrt.	107	169	152	137	114	<b>680</b>	ERSTE BANK HUNGARY Zrt.	116	135	108	152	112	<b>622</b>	CIB Bank Zrt.	80	67	67	87	119	<b>419</b>
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<p><b>4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</b></p>	<ul style="list-style-type: none"> <li>a. 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).</li> <li>b. 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.</li> <li>c. No credit institution domiciled in Hungary has been excluded because of its total asset size.</li> <li>d. See the annexed excel file.</li> <li>e. Non-bank institutions have not been included in the calculation, because their sectoral and institutional level systemic importance has been assessed as marginal.</li> </ul>																																																								
<p><b>4.3 Supervisory judgement</b></p>	<p>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.</p>																																																								

	<p>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.</p> <p>b. The optional indicators taken from Annex 2 of the guidelines which have been found relevant are the following:</p> <p>d1. Off-balance sheet items – market share based indicator aggregating outstanding credit facilities, guarantees and other off-balance sheet items carrying credit risk.</p> <p>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).</p> <p>d3. Assets under custody – market share in outstanding assets under custody.</p> <p>d4. Interbank claims and/or liabilities – centrality-based analysis transformed into an additive indicator of unsecured interbank loans and deposits.</p> <p>d5. Market transaction volumes or values – centrality-based analysis transformed into an additive indicator of FX swap transactions between credit institutions.</p> <p>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 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>
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<p><b>4.4 Calibrating the O-SII buffer</b></p>	<p>No changes were made to the calibration methodology compared to last year's review. The MNB revises the O-SII buffer requirements according to its methodology determined and published in 2015. The first step of the calibration is based on the formation of homogeneous groups in systemic importance to which the assignment of identical buffer rates can be justified. Following this approach three groups have been distinguished. As a general principle, institutions identified as O-SIIs are assigned at least a buffer rate of 0.5 percent. MNB assigns the maximum 2-percent buffer rate to the group with the highest score, and leaves open the possibility of setting a higher buffer rate if deemed necessary. Buffer rate calibration is undertaken based on the final scores resulting from the identification process. Different methods have been applied to support group formation. Peer analysis was also utilized for within-country and international comparison. Cluster analysis on different levels of the decomposed final score (indicator category score components (listed in the Table in 4.1) and indicators were examined) was applied to minimize within group variance and to assess the sensitivity of different grouping alternatives. The BCBS (2013) equal expected impact approach has been used to group institutions based on a probabilistic model (the final scores proxied the external impact and the distribution of the return on risk-weighted assets represented the probability of loss incidences).</p> <p>As a second step, expert judgement has been brought in to check the validity of the results and to highlight hardly quantifiable aspects of the calibration.</p> <p>The 2024 revision of the identification and the re-estimation of the calibration did not reveal any significant changes in the scores or in the buffer rates suggested by the calibration methods. Therefore, the buffer levels applicable for 2025 are the same as the indicative values communicated in last year's notification.</p>
<p><b>4.5 Effectiveness and proportionality of measure</b></p>	<p>The O-SII buffer is a targeted prudential instrument provided by CRD 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>
<p><b>5. Sufficiency, consistency and non-overlap of the policy response</b></p>	
	<p>The CRD designates the O-SII capital buffer as a singly available policy instrument to macroprudential authorities to strengthen the resilience and correct misaligned</p>

<p><b>5.1 Sufficiency of the policy response</b></p>	<p>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>Maintaining the buffers which have been in place previously safeguards the availability of solvency capital in the long run, while the capitalization of the banking system is sufficient to further promote the sustainable supply of credit and banking services.</p>
<p><b>5.2 Consistency of application of the policy response</b></p>	<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>
<p><b>5.3 Non-overlap of the policy response</b></p>	<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>
<p><b>6. Cross-border and cross-sector impact of the measure</b></p>	
<p><b>6.1 Assessment of cross-border effects and the likely impact on the Internal Market</b> <b>(Recommendation ESRB/2015/2<sup>3</sup>)</b></p>	<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"> <li>• 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.</li> <li>• Outward spillovers and the overall impact on the Single Market: The MNB still does not expect material negative cross-border effects on other 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</li> </ul>

<sup>3</sup> 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>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 own funds, risk weighted exposures or the total assets of the ultimate parents is between 1 and 7 percent in every case.</p>												
<p><b>6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</b></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><b>7. Combinations and interactions with other measures</b></p>													
<p><b>7.1 Combinations between G-SII and O-SII buffers (Article 131.14)</b></p>	<p>The MNB has not identified any institutions as G-SIIs within its jurisdiction.</p> <table border="1" data-bbox="571 1128 1444 1279"> <thead> <tr> <th data-bbox="571 1128 927 1173">Name of institution</th> <th data-bbox="927 1128 1214 1173">O-SII buffer</th> <th data-bbox="1214 1128 1444 1173">G-SII buffer</th> </tr> </thead> <tbody> <tr> <td data-bbox="571 1173 927 1211"></td> <td data-bbox="927 1173 1214 1211" style="text-align: center;">%</td> <td data-bbox="1214 1173 1444 1211" style="text-align: center;">%</td> </tr> <tr> <td data-bbox="571 1211 927 1249"></td> <td data-bbox="927 1211 1214 1249" style="text-align: center;">%</td> <td data-bbox="1214 1211 1444 1249" style="text-align: center;">%</td> </tr> <tr> <td data-bbox="571 1249 927 1285"></td> <td data-bbox="927 1249 1214 1285" style="text-align: center;">%</td> <td data-bbox="1214 1249 1444 1285" style="text-align: center;">%</td> </tr> </tbody> </table>	Name of institution	O-SII buffer	G-SII buffer		%	%		%	%		%	%
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<p><b>7.2 Combinations with systemic risk buffers (SyRBs) (Article 131.15 CRD)</b></p>	<p>Currently there are no banks which are required to maintain a systemic risk buffer. The risks associated with CRE lending cannot currently be considered excessive, but looking ahead, financial stability risks may build up in the market, growing cyclical and structural risks seen in the global CRE market, as well as the risk signals of international organizations (e.g. the European Systemic Risk Board). As a prevention, the systemic risk buffer (SyRB) has been activated from 1 July 2024. Based on the latest, 31 March 2024 data, no bank has been prescribed a non-zero buffer rate given. The institution-specific requirements setting individual SyRB rates will be reviewed annually, next time by 1 July 2025 based on the exposures and capital positions as of 31 March 2025.</p> <p>Despite of the potential introduction of a non-zero SyRB in the future, 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 % due to the upper limit of 2% included in the implementation design of the SyRB, 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><a href="https://www.mnb.hu/en/financial-stability/macprudential-policy/the-macprudential-toolkit/systemic-risk-buffer-syrb">https://www.mnb.hu/en/financial-stability/macprudential-policy/the-macprudential-toolkit/systemic-risk-buffer-syrb</a></p>												

