Notification template for Article 131 CRD – Global Systemically Important Institutions (G-SIIs)

Please send this template to
- notifications@esrb.europa.eu when notifying the ESRB;
- macroprunotifications@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.

<table>
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<th>1. Notifying national authority</th>
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<tr>
<td><strong>1.1 Name of the notifying authority</strong></td>
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<th>2. Description of the measure</th>
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<td><strong>2.1 Concerned institution(s)</strong></td>
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<td><strong>2.2 Level of the buffer applied</strong></td>
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<td><strong>2.3 Names of subsidiaries</strong></td>
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<th>3. Timing of the measure</th>
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<td><strong>3.1 Timing of the Decision</strong></td>
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<td><strong>3.2 Timing of the Publication</strong></td>
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4. Reason for activation of the G-SII buffer

Please provide information on the following categories of indicators:

a. size of the group;

b. interconnectedness of the group, with the rest of the financial system;

c. substitutability of the services or the financial infrastructure provided by the group;

d. complexity of the group;

e. cross border activity of the group, including cross border activity between Member States and between a Member State and third countries

The G-SII designation is based on the outcome the G-SIB assessment exercise conducted by the Basel Committee on Banking Supervision (BCBS) in 2017, based on end-2016 data:

<table>
<thead>
<tr>
<th>G-SII Institution</th>
<th>Overall score</th>
<th>Categories of indicators</th>
</tr>
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<tbody>
<tr>
<td>Banco Santander, S.A.</td>
<td>193</td>
<td>185</td>
</tr>
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</table>

Note: All figures in basis points.

4.2 Scores and buckets (Article 131.2 and 131.9)

Please provide information on:

a. which overall score and bucket is attributed to each G-SII

193 bp and Bucket 1 (1.0%).

b. which score is attributed to each category

See section 4.1 above.

c. what qualitative supervisory judgement has been taken into account?

Supervisory judgement has not been exercised.

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

Assessment of the cross-border effects of the implementation of the measure.

a. Assessment of the spillover channels operating via risk adjustment and regulatory arbitrage. The relevant indicators provided in Chapter 11 of the ESRB Handbook on Operationalising Macro-prudential Policy in the Banking Sector can be used.

Note: All figures in basis points.

1 Available on the ESRB’s website at www.esrb.europa.eu.
(Recommendation ESRB/2015/2)

b. Assessment of:
   - cross-border effects (leakages and regulatory arbitrage) of the implementation of measure in your jurisdiction (inward spillovers); and
   - cross-border effects on other Member States and on the Single Market of measure (outward spillovers).

The measure should contribute to mitigating negative externalities, reducing implicit subsidies and increasing G-SIs’ resilience. Specifically, it is expected to contribute to reducing the competitive advantage of G-SIs in terms of funding costs due to their systemic nature, and limiting the potential moral hazard incentives which may affect their management.

A recent analysis of the cross-border spill-overs conducted at BdE, drawing on concepts from Chapter 11 of ESRB Handbook on Operationalising Macro-prudential Policy, shows that the outward and inward spill-overs with the EU are very limited. The largest outward exposures are, besides third countries, to the UK. Yet, since banks operating in the UK do so via subsidiaries, the exposures are limited. For inward spill-overs, the exposures from EU is even more limited. As a consequence, we do not believe that the cross-border effects of implementing these measures are large, but remain alert and active to monitor the developments over the coming year.

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 scope for leakages and regulatory arbitrage/circumvention is deemed to be very narrow, particularly on account of the fact that the measure is directly targeted at the largest banking institution in the country (accounting for around 40% of total assets). It should also be noted that the Spanish financial system is largely a bank-based one.

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?

In 2018 the applicable G-SII buffer for Banco Santander, S.A. would be equal to its O-SII buffer (0.75%).

The G-SII decision for 2019 is planned to be taken in November 2018.

6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)

Are any of the institutions subject to a systemic risk buffer?

No.

If yes, please provide the following information:

a. What is the level of the systemic risk buffer (in %) applied to the concerned institution
b. Is the systemic risk buffer applied to all exposures located in your Member State only?
c. Is the systemic risk buffer applied at the same consolidation level as the O-SII buffer?
### 6.3 Interaction with other measures

How does the buffer requirement interact with other measures addressing the same risk (e.g. with other supervisory measures)?

No interactions with other structural measures is anticipated. However, interactions with cyclical measures may eventually arise given the current downward phase of the domestic credit cycle and the associated macroprudential stance (as a result of which the CCyB is set at 0% in Spain).

### 7. Miscellaneous

<table>
<thead>
<tr>
<th>7.1 Contact person(s) at notifying authority</th>
<th>Mailbox at the Macroprudential Analysis and Policy Unit of BdE: <a href="mailto:macropru@bde.es">macropru@bde.es</a></th>
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<tr>
<td>7.2 Any other relevant information</td>
<td>This notification was advanced to the ESRB on 23 October 2017.</td>
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