Template for notifying the intended use of a systemic risk buffer (SRB)

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1. Notifying national authority and scope of the notification

1.1 Name of the notifying authority	National Committee for Macroprudential Oversight
1.2 Type of measure intended (also for reviews of existing measures)	Periodical recalibration of the SRB

2. Description of the notified measure

2.1 Institutions covered by the intended SRB	The systemic risk buffer is applicable to all credit institutions Romanian legal persons.

2.2 Buffer rate

(Article 133(11)(f) of the CRD)

The vulnerabilities identified across the national financial system when the SRB was implemented are still present:

(i) the possibility of a renewed increase in non-performing loan ratios, following the rise in interest rates and the slowdown in the balance sheet clean-up process;

(ii) the tensions surrounding macroeconomic equilibria.

The level of the systemic risk buffer is set at 0 percent, 1 percent or 2 percent, according to the 12 months average of the non-performing loans ratio and the coverage ratio with provisions reported by each individual credit institution, in accordance with the methodology established in the implementation process of the SRB:

Non-performing loans ratio	Coverage ration with provisions	Buffer rate (% of CET1 capital applied to total RWA)
< 5%	> 55%	0%
> 5%	> 55%	1%
< 5%	< 55%	1%
> 5%	< 55%	2%

This approach was implemented in order to support the credit risk management process and to increase the resilience of the banking sector against unanticipated shocks, amid structural unfavourable circumstances.

Based on the 12 months average (July 2017 – June 2018) of the non-performing loans ratio and the coverage ratio with provisions, the following institutions will maintain a systemic risk buffer, starting from the 1st of January 2019:

Institution	**Basis**	**Buffer rate (applied to total RWA)**	**LEI**
Alpha Bank Romania S.A.	individual	2%	529900TKT32Z5LP7XF90
Banca Comercială Română S.A.	consolidated	1%	549300ORLU6LN5YD8X90
Banca Comercială Feroviara S.A.	individual	2%	529900HO7D9PZWCL4924
Bank Leumi S.A.	individual	2%	213800KJFJ637FB4NX47
BRD - Groupe Société Générale S.A.	consolidated	1%	5493008QRHH0XCLJ4238
Banca Românească S.A.	individual	2%	549300RG0AL55BUXHL12
Banca Transilvania S.A.	consolidated	2%	549300RG3H390KEL8896
Credit Agricole Bank S.A.	individual	1%	549300HWO4MKNPLCS870
Credit Europe Bank S.A.	consolidated	1%	549300Y0HU846VCZER04
CEC Bank S.A.	individual	2%	2138008AVF4W7FMW8W87
Eximbank S.A.	individual	2%	635400F6HLXKXNJJX605
Garanti Bank S.A.	individual	1%	549300UZRCTIM0HREY46
Banca Comercială Intesa SanPaolo S.A.	individual	1%	549300CGLRBLXD8PLZ18
Libra Internet Bank S.A.	individual	1%	315700WKDD4ZSRL7HW38
Marfin Bank Romania S.A.	individual	2%	54930017QGBKEZSPKH30
Patria Bank S.A.	consolidated	2%	54930089VCHC6WXXYJ92
OTP Bank S.A.	consolidated	2%	5299003TM0P7W8DNUF61
Piraeus Bank S.A.	individual	2%	549300UH7FDPRNBABQ46
Porsche Bank S.A.	individual	1%	529900XIGDAMPGRLP324
ProCredit Bank S.A.	individual	1%	5299006OMGUYDLEXQ337
Raiffeisen Bank S.A.	consolidated	2%	549300RFKNCOX56F8591
UniCredit Bank S.A.	consolidated	1%	5493003BDYD5VPGUQS04

2.3 Exposures covered by the SRB	All exposures

3. Timing of the measure

3.1 Timing of the Decision	24 September 2018
3.2 Timing of the Publication	December 2018 (expected)
3.3 Disclosure	The systemic risk buffer recalibration will be communicated through the NCMO website (http://www.cnsmro.ro/en/). Transparency is one of the key elements in the effective implementation of this measure.

3.4 Timing of Application	1 January 2019
3.5 Phasing in	Without phase in
3.6 Review/deactivation of the measure	The level of the systemic risk buffer is set at 0 percent, 1 percent or 2 percent, according to the 12 months average of the non-performing loans ratio and the coverage ratio with provisions reported by each individual credit institution, in accordance with the methodology described at 2.2. This approach encourages banks' balance sheet efforts without affecting other prudential indicators. In order to support the balance sheet clean-up process, the National Committee for Macroprudential Oversight reassesses the indicators and the thresholds used in the calibration of systemic risk buffer on a bi-annual basis, in order to monitor the real time progress of the non-performing loans and to tackle any potential re-emergence of NPL loans.
4. Reasons for the intended SRB	
4.1 Description of the long-term non-cyclical systemic risk in your Member State **(Article 133(11)a of the CRD)**	The NCMO carries out periodic evaluations on the vulnerabilities of the financial system, as well as on the opportunity to implement a systemic risk buffer in order to mitigate the identified risks. The introduction of a systemic risk buffer is a macroprudential policy option, based on the following considerations: (i) the need to address the issue of non-performing loans from a macroprudential perspective, taking into account the possibility of a renewed increase in non-performing loan ratios, following the rise in interest rates and the slowdown in the balance sheet clean-up process, (ii) the tensions surrounding domestic macroeconomic equilibria, including through the shaping of a legislative framework with potentially adverse effects on the management of risks in the banking sector and lingering uncertainties about the regional and international context.
4.2 Reasons why the dimension of the long-term non-cyclical systemic risk threatens the stability of the financial system in your Member State **(Article 133(11)(b) of the CRD)**	The rationale behind implementing the systemic risk buffer is circumscribed to the following two perspectives: (i) ensuring an adequate management of credit risk from a macroprudential perspective, amid the possible return of non-performing loans onto an upward path, in the context of unfavourable circumstances related to credit institutions' potential future efforts to clean up their balance sheets and (ii) preserving financial stability, assuming that the tensions surrounding domestic macroeconomic equilibria and regional and global uncertainties will persist. Recent European initiatives concerning NPL resolution highlight the importance of tackling this issue from a macroprudential perspective, due to the significant negative effects on banking sector activity and, therefore, on the real economy. Moreover, the tightening on macroeconomic equilibria can lead to significant negative second-round effects on the financial sector, in case of unanticipated external or internal shocks.
4.3 Indicators used for the activation of the measure	The level of the systemic risk buffer is set according to the 12 months average of the non-performing loans ratio and the coverage ratio with provisions reported by each individual credit institution.
4.4 Effectiveness and proportionality of the measure **(Article 133(11)(c) of the CRD)**	The implementation of a systemic risk buffer applicable to all exposures aims at supporting the credit risk management process and at increasing the resilience of the banking sector against unanticipated shocks, amid structural unfavourable circumstances. The proportionality of the measure is argued through the calibration methodology which is based on historical information used as forward guidance to assess potential vulnerabilities given by of a renewed increase in non-performing loan ratios. Moreover, it provides incentives for the banking sector to further support the balance sheet

	clean-up process, with significant positive effects on financial stability.
4.5 Justification of inadequacy of existing measures in the CRD or in the CRR, excluding Articles 458 and 459 of the CRR, to address the identified risks **(Article 133(11)(e) of the CRD)**	Other macroprudential instruments could not address the identified risks, due to the following arguments: - the countercyclical capital buffer (CCyB) – the buffer is designed to counter pro-cyclicality in the financial system, by dampening excessive credit growth during the upswing of the financial cycle and providing capital reserves in case of a downturn. - Pillar II capital requirements – the identified vulnerabilities are system-wide, not institution-specific, and concern linkages between the financial sector and the real economy, therefore they should not be subject to Pillar II requirements which tackle risks from a microprudential perspective. - the other systemically important institutions buffer (O-SII) – the vulnerabilities concern the entire banking sector as well as the linkages with the real economy and not the risks related to the size of individual institutions.
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 **(Article 133(11)(d) of the CRD and Recommendation ESRB/2015/2)**	Considering the reduced amount of Romanian banking system's exposures to other member states and to third countries, no material cross-border effects are expected. Recalibrating the SRB will not have a negative impact on the internal market and will foster financial stability within the Romanian banking sector.
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	No leakages and regulatory arbitrage are expected within Romania.
5.3 Reciprocation by other Member States **(Article 134(4) of the CRD and Recommendation ESRB/2015/2)**	Taking into account that the implementation of the systemic risk buffer in Romania aims at mitigating the identified vulnerabilities arising from the balance sheets of the Romanian legal persons credit institutions, reciprocation of the SRB by other Member States is not required.
6. Combination of the SRB with other buffers	
6.1 Combination with G-SII and/or O-SII buffers (Article 133(4) and (5) of the CRD)	Considering that the SRB is applied to all exposures, as in the O-SII buffer case, the capital requirement for structural buffers is determined as the maximum level of the other systemically important institutions (O-SII) buffer and the systemic risk buffer (SRB). Therefore, in the case of systemically important credit institutions, the maximum additional requirement introduced by this measure is 1 percent (the difference between the maximum 2 percent SRB and the minimum 1 percent O-SII buffer).

6.2 Other relevant information	-
7. Miscellaneous	
7.1 Contact person(s) at notifying authority	Mr. Eugen Rădulescu Director, Financial Stability Department, National Bank of Romania and NCMO secretariat Phone: +40311 32 1100 Email: eugen.radulescu@bnro.ro secretariat.cnsmro@bnro.ro
7.2 Any other relevant information	-