

Notification template for Article 131 CRD – Other Systemically Important Institutions (O-SII)

Please send this template to

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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.

1. Notifying national authority			
1.1 Name of the notifying authority	Central Bank of Ireland		
2. Description of the measure			
2.1 Concerned institution or group of institutions	O-SII	Level of consolidation	LEI Code
	AIB Group plc (AIB)	Consolidated	635400AKJBGNS5WNQL34
	Bank of America Merrill Lynch International DAC (BAMLI)	Individual	EQYXK86SF381Q21S3020
	Barclays Bank Ireland plc (BBI)	Individual	2G5BKIC2CB69PRJH1W31
	Bank of Ireland Group plc (BOI)	Consolidated	635400C8EK6DRI12LJ39
	Citibank Holdings Ireland Ltd (Citibank)	Consolidated	549300K7L8YW8M215U46
	Ulster Bank Ireland DAC (UBI)	Individual	635400KQIMALJ4XLAD78
2.2 Level of the buffer applied	O-SII	Level of consolidation	O-SI Buffer
	AIB	Consolidated	1.5%
	BAMLI	Individual	0.75%
	BBI	Individual	0.75%
	BOI	Consolidated	1.5%
	Citibank	Consolidated	1%
	UBI	Individual	0.5%

2.3 Name of the EU ultimate parent institution	O-SII	EU Parent	LEI Code (EU parent)			
	Ulster Bank Ireland DAC	The Royal Bank of Scotland Group	2138005O9XJIJN4JPN90			
	Barclays Bank Ireland plc	Barclays Bank plc	G5GSEF7VJP517OUK5573			
2.4 Names of subsidiaries	NA					
3. Timing of the measure						
3.1 Timing of the Decision	Decision scheduled for November 18 2019.					
3.2 Timing of the Publication	Publication scheduled for December 4 2019.					
3.3 Disclosure	The identification of O-SIIs and their associated buffers will be disclosed on the website of the Central Bank of Ireland.					
3.4 Timing of Application	1 July 2020					
3.5 Phasing in	O-SII Buffer Rates					
	O-SII institution	1 July 2019	1 July 2020	1 July 2021		
	AIB	0.5%	1%	1.5%		
	BOI	0.5%	1%	1.5%		
	Citibank	0.25%	0.5%	1.0%		
	UBI	0.25%	0.5%	0.5%		
	BAMLI		0.5%	0.75%		
	BBI		0.5%	0.75%		
3.6 Review of the measure	The list of identified O-SIIs and associated buffer rates are to be reviewed on an annual basis.					
4. Reason for O-SII identification and activation of the O-SII buffer						
4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)	Mandatory EBA O-SII identification methodology					
	Institution	Overall institution score	Category score			
			<i>Size</i>	<i>Importance</i>	<i>Complexity</i>	<i>Interconnectedness</i>
	BOI	1777	1824	2193	2029	1060
	Citibank	1424	900	2776	1446	575
	AIB	1172	1552	1864	579	693
	BAMLI	773	827	262	1094	910
	BBI	583	573	867	514	376
	UBI	375	501	590	197	212
	See attached excel file <i>IE_OSII_SummarScores_informal_notification_CONFIDENTIAL.xlsx</i> for further detail					

<p>4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</p>	<p>The assessment of credit institution O-SIIs was conducted in line with the EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU in relation to the assessment of O-SIIs (EBA/GL/2014/10). A 350 basis point threshold of systemic importance was used to identify the O-SIIs and the overall scores are outlined in section 4.1. Institutions with relative total assets below 0.02 per cent were not excluded from the identification process. All institutions with an EBA score of greater than 350bps were identified as O-SIIs.</p> <p>Two credit institutions (Depfa Bank plc and Unicredit Bank Ireland plc) which had been designated as O-SIIs last year on the basis of scoring above the 350bps threshold, scored below 350bps. Depfa Bank is in wind down and while they had been designated as an O-SII in previous assessments, no buffer requirement was applied given the unique circumstances of the institution. UniCredit Ireland have deleveraged their balance sheet in recent years and have limited interaction with the domestic economy. Overall, it was deemed reasonable that these two institutions not be identified as O-SIIs.</p> <p>A separate assessment was carried out for in scope investment firms. This incorporated both an assessment of quantitative indicators more applicable to the sector (total assets, AuM, client money, secondary market footprint) and a more general assessment in the context of the new prudential regime for investment firms (IFR & IFD). The assessment led to no investment firms being identified as O-SIIs</p>
<p>4.3 Supervisory judgement</p>	<p>All credit institutions identified by the mandatory scoring process using the standard 350bps threshold in the EBA guidelines were identified as O-SIIs. Supervisory judgement, while considered, was not employed to identify any additional institutions.</p>
<p>4.4 Calibrating the O-SII buffer</p>	<p>The Central Bank of Ireland’s approach to calibrating the O-SII buffer takes into account the high level principles of the Basel framework, the requirements of the CRD IV, the ECB’s floor methodology as well as the specificities of the Irish economy. The approach envisages a number of elements</p> <ul style="list-style-type: none"> • Buffer rates are set by guided discretion i.e. while ultimately based on judgement buffer rates are informed by quantitative analysis. • Buffers should be reflective of the systemic importance of institutions <ul style="list-style-type: none"> ○ More systemically important institutions should receive relatively higher buffers. ○ Similar institutions should receive similar buffers. • Buffer rates are set in a manner to allow scope to tighten the policy for all institutions, should an institution grow in systemic importance. <p>The Irish banking system is composed of both a small number of domestically focused retail banks and a number of internationally focused institutions, some of whom are large and complex. As a result, a number of measures of systemic importance are used to inform O-SII buffer calibration – EBA score, size and role in domestic financial intermediation. This approach looks to ensure that buffers set for domestically focused institutions are appropriate and reflect their importance to the domestic economy.</p> <p>On balance across these dimensions of systemic importance the following emerges:</p> <ul style="list-style-type: none"> • AIB and BOI – highly systemically important across the three metrics. • BAMLI and BBI – similar in size and with limited role in domestic financial intermediation. • UBI – similar business model to AIB and BOI but the order of magnitude of systemic importance across the board is significantly lower. • Citi – similar to BBI and BAMLI in terms of business model and size, however, scores significantly high in terms of EBA score. <p>Implied buffer rates are calculated for each institution across the three measures of systemic importance, using a scaling method where the most systemically important institution receives a buffer of 1.5 per cent. In addition, although buffers are not directly calibrated from the results,</p>

	<p>implied buffers based on an application of the equal expected impact approach to Ireland also inform the buffer setting process.</p> <p>Proposed buffer rates are also benchmarked against the ECB floor methodology. The buffer rates arising from this year's review comply with the floor methodology.</p>									
4.5 Effectiveness and proportionality of measure	<p>The guiding principle behind the O-SII buffer is to minimise the effect that the failure of a systemically important institution would have on the domestic economy. As outlined above, the buffers are informed by quantitative methodologies and commensurate with the degree of systemic importance of an institution.</p> <p>For four of the six identified O-SIIs the review does not result in any change to either the buffer rate or the phase in period. For those two institutions that are identified for the first time, buffers are being phased in over an 18-month period.</p>									
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 (Recommendation ESRB/2015/2)	<p>The O-SII buffers are not expected to provide a material incentive for institutions to alter the geographical distribution of assets or cross-border group structure.</p> <p>The phasing in of buffers looks to avoid any negative impact on credit growth in the domestic economy or in the other countries in which the O-SIIs are active.</p> <p>The O-SII buffer rates are not out of line with those buffer rates set in other European countries.</p> <p>The application of the aforementioned O-SII buffers is expected to increase the resilience of the Irish financial system, which will have positive spillovers to the EU financial system.</p>									
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	<p>The scope for leakages or regulatory arbitrage is limited for the O-SII buffer, in line with Chapter 11 of the ESRB handbook on reciprocity.</p>									
6. Combinations and interactions with other measures										
6.1 Combinations between G-SII and O-SII buffers (Article 131.14)	NA									
6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	None of the O-SIIs identified are subject to a systemic risk buffer.									
6.3 O-SII requirement for a subsidiary (Article 131.8)	<table border="1"> <thead> <tr> <th>O-SII</th> <th>EU Parent</th> <th>G-SII Buffer Rate (EU Parent)</th> </tr> </thead> <tbody> <tr> <td>Ulster Bank Ireland DAC</td> <td>The Royal Bank of Scotland Group</td> <td>1% (applicable only until Jan 2020)</td> </tr> <tr> <td>Barclays Bank Ireland plc</td> <td>Barclays Bank plc</td> <td>1.5%</td> </tr> </tbody> </table>	O-SII	EU Parent	G-SII Buffer Rate (EU Parent)	Ulster Bank Ireland DAC	The Royal Bank of Scotland Group	1% (applicable only until Jan 2020)	Barclays Bank Ireland plc	Barclays Bank plc	1.5%
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6.4 Interaction with other measures	NA
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7. Miscellaneous			
	Name	Telephone	E-mail
7.1 Contact person(s) at notifying authority	Eoin O'Brien macroprudential@centralbank.ie	+ 353 1 224 6817	eoin.obrien@centralbank.ie
7.2 Any other relevant information	NA		