

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

Please send this template to

- notifications@esrb.europa.eu when notifying the ESRB;
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1. Notifying national authority											
1.1 Name of the notifying authority	Banca d'Italia										
2. Description of the measure											
2.1 Concerned institution or group of institutions	<p>The EBA methodology has been applied to compute the scores for all the institutions operating in Italy as of 31 December 2018. Banca d'Italia has decided to maintain the 350 basis point threshold defined by EBA Guidelines. The following institutions (with scores above 350 basis points) have been identified as O-SIIs:</p> <table border="1"> <thead> <tr> <th>Banking Group</th> <th>LEI Code</th> </tr> </thead> <tbody> <tr> <td>UniCredit Group (UCG)</td> <td>549300TRUWO2CD2G5692</td> </tr> <tr> <td>Gruppo Intesa Sanpaolo (ISP)</td> <td>2W8N8UU78PMDQKZENC08</td> </tr> <tr> <td>Gruppo Banco BPM (BBPM)</td> <td>815600E4E6DCD2D25E30</td> </tr> <tr> <td>Gruppo Monte dei Paschi di Siena (MPS)</td> <td>J4CP7MHCXR8DAQMKIL78</td> </tr> </tbody> </table> <p>The identification took place at the highest level of consolidation in Italy.</p>	Banking Group	LEI Code	UniCredit Group (UCG)	549300TRUWO2CD2G5692	Gruppo Intesa Sanpaolo (ISP)	2W8N8UU78PMDQKZENC08	Gruppo Banco BPM (BBPM)	815600E4E6DCD2D25E30	Gruppo Monte dei Paschi di Siena (MPS)	J4CP7MHCXR8DAQMKIL78
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2.2 Level of the buffer applied	<table border="1"> <thead> <tr> <th>Banking Group</th> <th>O-SII Buffer</th> </tr> </thead> <tbody> <tr> <td>UniCredit Group</td> <td>1.00%</td> </tr> <tr> <td>Gruppo Intesa Sanpaolo</td> <td>0.75%</td> </tr> <tr> <td>Gruppo Banco BPM</td> <td>0.25%</td> </tr> <tr> <td>Gruppo Monte dei Paschi di Siena</td> <td>0.25%</td> </tr> </tbody> </table>	Banking Group	O-SII Buffer	UniCredit Group	1.00%	Gruppo Intesa Sanpaolo	0.75%	Gruppo Banco BPM	0.25%	Gruppo Monte dei Paschi di Siena	0.25%
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2.3 Name of the EU ultimate parent institution	Not applicable.																				
2.4 Names of subsidiaries	Not applicable.																				
3. Timing of the measure																					
3.1 Timing of the Decision	29 October 2019																				
3.2 Timing of the Publication	30 November 2019																				
3.3 Disclosure	Banca d'Italia will notify the ECB and then the ESRB, the EBA and the European Commission, one month before the publication of the decision. The designated institutions will be notified. The O-SII capital buffer requirements will be published on the Banca d'Italia website once all the administrative procedures have been completed.																				
3.4 Timing of Application	<ul style="list-style-type: none"> - For the O-SIIs already identified in 2016 (UCG and ISP), the buffers will be fully implemented on 1 January 2021. - For the O-SII identified in 2017 (BBPM), and for the newly identified O-SII (MPS) the buffer will be fully implemented on 1 January 2022. 																				
3.5 Phasing in	<p>Please refer to the following table.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Banking Group</th> <th style="text-align: center;">From 1 Jan 2020</th> <th style="text-align: center;">From 1 Jan 2021</th> <th style="text-align: center;">From 1 Jan 2022</th> </tr> </thead> <tbody> <tr> <td>UniCredit Group</td> <td style="text-align: center;">0.75%</td> <td style="text-align: center;">1.00%</td> <td style="text-align: center;">1.00%</td> </tr> <tr> <td>Gruppo Intesa Sanpaolo</td> <td style="text-align: center;">0.56%</td> <td style="text-align: center;">0.75%</td> <td style="text-align: center;">0.75%</td> </tr> <tr> <td>Gruppo Banco BPM</td> <td style="text-align: center;">0.13%</td> <td style="text-align: center;">0.19%</td> <td style="text-align: center;">0.25%</td> </tr> <tr> <td>Gruppo Monte dei Paschi di Siena</td> <td style="text-align: center;">0.13%</td> <td style="text-align: center;">0.19%</td> <td style="text-align: center;">0.25%</td> </tr> </tbody> </table>	Banking Group	From 1 Jan 2020	From 1 Jan 2021	From 1 Jan 2022	UniCredit Group	0.75%	1.00%	1.00%	Gruppo Intesa Sanpaolo	0.56%	0.75%	0.75%	Gruppo Banco BPM	0.13%	0.19%	0.25%	Gruppo Monte dei Paschi di Siena	0.13%	0.19%	0.25%
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3.6 Review of the measure	The measure will be reviewed at least annually.																				
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)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Banking Group</th> <th style="text-align: center;">Score</th> <th style="text-align: center;">Size</th> <th style="text-align: center;">Substitutability</th> <th style="text-align: center;">Complexity</th> <th style="text-align: center;">Interconnectedness</th> </tr> </thead> <tbody> <tr> <td>UniCredit Group</td> <td style="text-align: center;">3,053</td> <td style="text-align: center;">2,868</td> <td style="text-align: center;">2,112</td> <td style="text-align: center;">4,077</td> <td style="text-align: center;">3,154</td> </tr> <tr> <td>Gruppo Intesa Sanpaolo</td> <td style="text-align: center;">2,633</td> <td style="text-align: center;">2,145</td> <td style="text-align: center;">2,554</td> <td style="text-align: center;">3,304</td> <td style="text-align: center;">2,529</td> </tr> </tbody> </table>	Banking Group	Score	Size	Substitutability	Complexity	Interconnectedness	UniCredit Group	3,053	2,868	2,112	4,077	3,154	Gruppo Intesa Sanpaolo	2,633	2,145	2,554	3,304	2,529		
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<p>4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</p>	<p>The identification process followed the methodology set out in the EBA’s Guidelines (EBA/GL/2014/10). Accordingly, the systemic importance of institutions was assessed using ten mandatory indicators referring to the four following criteria: size, importance (including substitutability/financial system infrastructure), complexity/cross-border activity, interconnectedness.</p> <p>The exercise was conducted using data as of 31 December 2018 from the FINREP templates prescribed by the EBA Guidelines. Whenever the requirements for reporting those templates do not apply to relevant institutions, Banca d’Italia relied on the closest available variables from other FINREP templates. Starting from this exercise, for the category “complexity/cross-border activity”, the scores are calculated using also non-harmonized supervisory data to exclude assets and liabilities of foreign branches and subsidiaries vis-à-vis counterparties in the same host country from the calculation of cross-jurisdiction assets and liabilities.</p> <p>For the new Gruppo Bancario Cooperativo Iccrea, being operational since the 4th of March 2019, data as of 31 December 2018 were not available: in order to carry out the assessment exercise, the ICCREA Group was required to conduct a simulation and submit the necessary data to the Bank of Italy.</p> <p>Banca d’Italia did not use any optional indicators among those listed by the EBA and opted to maintain the 350 basis points threshold defined by the Guidelines as a limit for systemic importance. Hence, all institutions with a score above 350 basis point were automatically identified as O-SIIs.</p> <p>A more detailed illustration of the score attributed to each institution is provided in the attached file.</p>												
<p>4.3 Supervisory judgement</p>	<p>Not applicable.</p>												

4.4 Calibrating the O-SII buffer	<p>The identified institutions are associated to buckets of the capital buffers (0.25%, 0.75% and 1.00%) according to the classification resulting from a cluster analysis.</p>
4.5 Effectiveness and proportionality of measure	<p>The scope for negative spillovers from failing systemically important financial institutions has been widely acknowledged. The O-SII buffer improves the total loss-absorbing capacity of such institutions, thus minimizing the risk of contagion and strengthening the resilience of the financial sector as a whole. At the same time, it corrects the distortions in risk-taking incentives caused by implicit public guarantee (moral hazard).</p> <p>The proposed calibrations of the O-SII buffers are proportionate to the systemic importance of the banks involved, as summarised by their overall scores. The phase-in period allows for a gradual accumulation of capital buffers.</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>Not applicable.</p>
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	<p>Leakages or regulatory arbitrage are not expected.</p>
6. Combinations and interactions with other measures	
6.1 Combinations between G-SII and O-SII buffers (Article 131.14)	<p>One banking group identified as O-SII (UCG) also has G-SII status and is subject to a G-SII capital buffer (1.00%).</p>
6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	<p>Not applicable.</p>
6.3 O-SII requirement for a subsidiary (Article 131.8)	<p>Not applicable.</p>

6.4 Interaction with other measures	UniCredit Group was identified as G-SII. The identification occurred at the consolidated level, in accordance with the principles developed by the Financial Stability Board and the Basel Committee on Banking Supervision, as well as the rules set out in Commission Delegated Regulation (EU) No 1222/2014. According to the G-SII score, the bank is allocated to the first bucket, corresponding to a G-SII capital buffer equal to 1.00% of total risk-weighted assets.
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7. Miscellaneous	
7.1 Contact person(s) at notifying authority	Mr. Antonio Di Cesare Financial Stability Analysis and Coordination Division Email: antonio.dicesare@bancaditalia.it Phone: +39 06 4792 3943
7.2 Any other relevant information	Not applicable.