

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;
- macropru.notifications@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.

1. Notifying national authority	
1.1 Name of the notifying authority	Swedish Financial Supervisory Authority
2. Description of the measure	
2.1 Concerned institution or group of institutions	Svenska Handelsbanken AB – M312WZV08Y7LYUC71685 Swedbank AB – NHBDILHZTYCNBV5UYZ31 Skandinaviska Enskilda Banken AB – F3JS33DEI6XQ4ZBPTN86 Nordea Hypotek AB – 5493000K2HPWIF6MFO29 All applied at the highest level of consolidation for these three groups and institution.
2.2 Level of the buffer applied	2% for the groups (Svenska Handelsbanken AB; Swedbank AB; Skandinaviska Enskilda Banken AB). 0% (no buffer) for Nordea Hypotek AB
2.3 Name of the EU ultimate parent institution	For Nordea Hypotek AB, the ultimate parent is Nordea Bank Abp – 5299000DI3047E2LIV03
2.4 Names of subsidiaries	The three institutions to which an O-SII buffer is applied have the buffer applied at the highest consolidation level only.
3. Timing of the measure	
3.1 Timing of the Decision	30 September 2019
3.2 Timing of the Publication	30 September 2019
3.3 Disclosure	Published on our website, www.fi.se https://www.fi.se/contentassets/b3059027158541c69619f73536bda8bb/identifying-kapitalbuffertpaslag-o-sii.pdf

3.4 Timing of Application	<p>The measure has been in place since 1 January 2016. The three O-SIIs subject to a measure this year were also identified in 2018, 2017, 2016 and 2015. The measure has not changed in since it was put in place and will not as a result of the 2019 identification decision.</p> <p>Nordea Hypotek AB was also previously identified in 2018 and neither year has it been decided to subject it to a buffer measure.</p>
3.5 Phasing in	<p>No phase in is necessary. The three entities subject to a buffer are already subject to that buffer.</p>
3.6 Review of the measure	<p>Before Q4 2020</p>
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)	<p>Skandinaviska Enskilda Banken Group – 2489</p> <p>Svenska Handelsbanken Group – 2039</p> <p>Swedbank Group – 1614</p> <p>Nordea Hypotek AB - 321</p> <p>Please see indicator values in the attached Excel file</p>
4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)	<p>a) Yes, the EBA guidelines were followed.</p> <p>b) 350 was used as the threshold</p> <p>c) See 4.1</p> <p>d) Not applicable, no optional indicators used.</p> <p>e) Not applicable, no optional indicators used.</p> <p>f) Not applicable, no optional indicators used.</p> <p>g) No, no entities were excluded.</p> <p>h) See https://www.fi.se/contentassets/b3059027158541c69619f73536bda8bb/identifiering-kapitalbuffertpaslag-o-sii.pdf</p> <p>i) Yes, non-bank institutions were included.</p>
4.3 Supervisory judgement	<p>Yes - Nordea Hypotek AB.</p>
4.4 Calibrating the O-SII buffer	<p>The Swedish banking market is large and concentrated within the large banking groups identified as O-SIIs. These groups are sufficiently large and interconnected that the failure of any one of them would cause serious and negative effects for the real economy. This does not mean that Sweden is at great risk of a financial crisis, but instead that were one to occur, the consequences could be particularly severe.</p> <p>FI has previously concluded that these risks require an add-on of at least 2pp for each O-SII. This year, however, there have been some significant changes in scores due to previous inaccurate data submissions for the 2018 identification process from two institutions: Nordea Bank Abp – where some head office functions remained in the branch’s balance sheet; and Danske Bank’s Swedish branch where some model items were missing during the 2018 identification exercise. As such, and in the interests of minimising volatility in the capital requirements, the O-SII buffers for the three large Swedish banking groups will remain at 2% as a result of the 2019 exercise. It is hoped that the 2020 data will be sufficient to ascertain if any changes in systemic importance have, in fact, occurred.</p>

	As Nordea Hypotek AB is a subsidiary and is subject to the capital requirements set by the Finnish authorities on its parent Nordea Bank Abp, Finansinspektionen has not judged it necessary to set an additional buffer requirement on the subsidiary.
4.5 Effectiveness and proportionality of measure	FI does not believe that a 2% O-SII buffer in isolation is sufficient to completely mitigate the risks mentioned in section 4.4. As such, and taking into account the accumulation rules of the O-SII buffer and Systemic Risk Buffer when applied at the consolidated level, additional capital requirements have been applied to the three large Swedish O-SIIs via the SRB and Pillar 2 in order to mitigate the individual and aggregate risks. Note, however, that the un-addressed O-SII risk encompasses only a small part of the justification for these additional measures.
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>FI does not expect the measure to have any negative consequences on the functioning of the single market. The O-SII buffer is placed on the major banks' total exposures, thus no difference is made based on the domicile of the exposures. The measure is motivated by the specific features of the Swedish banking system with a few dominant banks that both separately and in aggregate hold assets that are considerable, especially in relation to the country's GDP. Strengthening the resilience of these banks has a positive effect on the financial stability in Sweden and hence also on the single market.</p> <p>The measure could also be seen as strengthening the single market as it balances some of the benefits that large systemic banks tend to gain from. When a few banks dominate a national banking system, the risk is that the markets perceive them to be subject to some form of implicit state guarantee, especially in countries with strong fiscal positions such as Sweden. The additional capital requirements for the large banks could be seen as somewhat reducing this competitive advantage, a measure which should be regarded as positive for the single market.</p>
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	(See above under question 5.1). The assessment is that no adverse effects on the whole or parts of the financial system in other Member States or of the EU as a whole will occur and that the buffer will not create an obstacle to the functioning of the internal market.
6. Combinations and interactions with other measures	
6.1 Combinations between G-SII and O-SII buffers (Article 131.14)	There are no entities in Sweden subject to both buffers.
6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	The three large banks identified as O-SIIs (Svenska Handelsbanken AB; Swedbank AB; Skandinaviska Enskilda Banken AB) are subject to a 3 % SRB applied on all exposures at a consolidated level.
6.3 O-SII requirement for a subsidiary (Article 131.8)	For Nordea Hypotek AB, its parent – Nordea Bank Abp – will be subject to a 2% O-SII buffer (in force 1 January 2019), a 3% SRB (in force 1 July 2019) and a conditional G-SII buffer of 1% (in force 1 January 2020).
6.4 Interaction with other measures	Please see the answer to 4.5 regarding the accumulation of different measures.

7. Miscellaneous	
7.1 Contact person(s) at notifying authority	Kajsa Larsberger Holting (kajsa.larsbergerholting@fi.se) +46 8 408 982 30 & Per Axelsson (per.axelsson@fi.se) +46 8 408 981 48
7.2 Any other relevant information	