

Template for Article 131 CRD – Other Systemically Important Institutions (O-SIIs)

Please send this template to

- notifications@esrb.europa.eu when notifying the ESRB;
- macropru.notifications@ecb.europa.eu when notifying the ECB;
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1. Notifying national authority																			
1.1 Name of the notifying authority	Banco de España (BdE)																		
2. Description of the measure																			
2.1 Concerned institution or group of institutions	On which institution(s) is the measure applied (name and LEI code)?																		
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2.2 Level of the buffer applied	<p>What is the level of the buffer (in %) applied to the institution(s)?</p> <p>The buffer requirement applies at the highest level of consolidation.</p> <table border="1"> <thead> <tr> <th>Name of institution</th> <th>O-SII buffer rate in 2021 (already fully phased in)</th> </tr> </thead> <tbody> <tr> <td>Banco Santander, S.A.</td> <td>1.0%</td> </tr> <tr> <td>Banco Bilbao Vizcaya Argentaria, S.A.</td> <td>0.75%</td> </tr> <tr> <td>CaixaBank, S.A.</td> <td>0.25%</td> </tr> <tr> <td>Banco de Sabadell, S.A.</td> <td>0.25%</td> </tr> <tr> <td>BFA Tenedora de Acciones, S.A.U.</td> <td>0.25%</td> </tr> </tbody> </table>	Name of institution	O-SII buffer rate in 2021 (already fully phased in)	Banco Santander, S.A.	1.0%	Banco Bilbao Vizcaya Argentaria, S.A.	0.75%	CaixaBank, S.A.	0.25%	Banco de Sabadell, S.A.	0.25%	BFA Tenedora de Acciones, S.A.U.	0.25%						
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2.3 Name of the EU ultimate parent institution	<p>Please provide the name and the LEI code of the EU ultimate parent institution of the group of each of the concerned institutions, in case the EU ultimate parent institution is not the concerned institution itself.</p> <p>In all cases, the EU ultimate parent institution is the concerned institution itself.</p>																		



<p>2.4 Names of subsidiaries</p>	<p>If any of the concerned institutions is a parent institution and the buffer is applied on a (sub)consolidated level, please name the subsidiaries of the institution that are notified as O-SIIs (please give name and LEI code).</p> <p>Not applicable.</p>
<p>3. Timing of the measure</p>	
<p>3.1 Timing of the Decision</p>	<p>What is the date of the official decision? <u>For SSM countries when notifying the ECB</u>; provide the date when the decision referred to in Article 5 of the SSMR shall be taken.</p> <p>19 November 2020.</p>
<p>3.2 Timing of the Publication</p>	<p>What is the date of publication of the notified measure?</p> <p>Shortly after the official decision date (and no later than 30 November).</p>
<p>3.3 Disclosure</p>	<p>Information about the communication strategy of the notified measure to the market.</p> <p>As in previous years, the institutions designated as O-SIIs and their respective capital buffer requirements will be announced via press statement on the BdE website. The information will remain available under the following links:</p> <p>EN: https://www.bde.es/bde/en/areas/estabilidad/politica-macropr/</p> <p>ES: https://www.bde.es/bde/es/areas/estabilidad/politica-macropr/</p>
<p>3.4 Timing of Application</p>	<p>What is the intended date of activation (i.e. as of which date shall the measure be applicable)?</p> <p>1 January 2021 (applicable until 31 December 2021).</p>
<p>3.5 Phasing in</p>	<p>What is the intended timeline for the phase-in of the measure?</p> <p>The phase-in of O-SII buffer requirements in Spain ended on 1 January 2019.</p>
<p>3.6 Review of the measure</p>	<p>When will the measure be reviewed (Article 131(6) and 131(12) specify that the buffer, the identification of O-SIIs and the allocation into subcategories must be reviewed at least annually)?</p> <p>By 30 November 2021 at the latest.</p> <p>At the time of preparing this measure there is a public announcement of a merger involving two O-SIIs, namely CaixaBank, S.A. and Bankia S.A. (BFA Tenedora de Acciones S.A.U.). Should their intended consolidation come to fruition in early 2021, the systemic importance and applicable buffer of the resulting entity may be reviewed in advance of November 2021.</p>
<p>4. Reason for O-SII identification and activation of the O-SII buffer</p>	
<p>4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)</p>	<p>Please list here the name, overall scores, category scores, and indicator values of the identified O-SIIs related to</p> <ul style="list-style-type: none"> a. size; b. importance for the economy of the relevant Member State or the Union, capturing substitutability/financial institution infrastructure; c. complexity, including the additional complexities from cross-border activity; d. interconnectedness of the institution or (sub-)group with the financial system. <p>The identification exercise, pursuant to the Guidelines of the European Banking Authority (EBA/GL/2014/10), yields the results displayed in the table below. O-SIIs are determined as those institutions with an overall score above the predetermined threshold of 350 bp.</p>



	<p>The exercise has been conducted on the basis of end-December 2019 data, for all credit institutions at their highest level of consolidation in Spain.</p> <p>In comparison with last years’s assessment, there are no changes in the identification and associated (phased-in) buffer rates.</p> <table border="1" data-bbox="475 474 1493 853"> <thead> <tr> <th rowspan="2">Name of institution</th> <th rowspan="2">Overall score</th> <th colspan="4">Categories of indicators</th> </tr> <tr> <th>Size (25%)</th> <th>Import. (25%)</th> <th>Complex. (25%)</th> <th>Interconn. (25%)</th> </tr> </thead> <tbody> <tr> <td>Banco Santander, S.A.</td> <td>4,537</td> <td>1,028</td> <td>773</td> <td>1,468</td> <td>1,267</td> </tr> <tr> <td>Banco Bilbao Vizcaya Argentaria, S.A.</td> <td>2,170</td> <td>462</td> <td>556</td> <td>667</td> <td>486</td> </tr> <tr> <td>CaixaBank, S.A.</td> <td>744</td> <td>224</td> <td>281</td> <td>92</td> <td>147</td> </tr> <tr> <td>Banco de Sabadell, S.A.</td> <td>516</td> <td>152</td> <td>156</td> <td>96</td> <td>112</td> </tr> <tr> <td>BFA Tenedora de Acciones, S.A.U.</td> <td>416</td> <td>144</td> <td>152</td> <td>49</td> <td>71</td> </tr> </tbody> </table> <p>Source: Banco de España. Note: All figures in basis points.</p> <p>Further information on the results for the full sample of institutions included in the O-SII assessment exercise are provided separately (in a confidential spreadsheet file).</p>	Name of institution	Overall score	Categories of indicators				Size (25%)	Import. (25%)	Complex. (25%)	Interconn. (25%)	Banco Santander, S.A.	4,537	1,028	773	1,468	1,267	Banco Bilbao Vizcaya Argentaria, S.A.	2,170	462	556	667	486	CaixaBank, S.A.	744	224	281	92	147	Banco de Sabadell, S.A.	516	152	156	96	112	BFA Tenedora de Acciones, S.A.U.	416	144	152	49	71
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<p>4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</p>	<p>Please provide information on:</p> <ol style="list-style-type: none"> whether you followed the EBA guidelines on the assessment of O-SIIs Yes, the identification of the O-SIIs is based on EBA/GL/2014/10. The FINREP variables proposed by the EBA guidelines (EBA/GL/2014/10) to identify O-SIIs have been used whenever possible. For those institutions where FINREP data was not available, alternative data sources at the BdE were used, but this issue generally affects rather small-sized institutions. which threshold score has been set to identify O-SIIs Baseline threshold score of 350bp (in accordance with EBA/GL/2014/10). which overall score is attributed to the O-SIIs See section 4.1 above. which of the optional indicators have been used to justify supervisory assessment decisions, if any, and what are the scores No optional indicators have been used. why these optional indicators are relevant for the Member State Not applicable. why the bank is systemically important in terms of those particular optional indicators Not applicable. whether relevant entities with relative total assets not in excess of 0.02% have been excluded from the identification process No. names and scores of all relevant entities not excluded from the identification process Names and scores of all relevant entities are provided separately in a confidential spreadsheet file. whether non-bank institutions have been included in the calculations 																																								



	Non-bank institutions have not been included in the calculations.
4.3 Supervisory judgement	<p>Has any of the institutions listed in 2.1 been identified through supervisory judgement as laid down in EBA guidelines on the assessment of O-SIIs? If yes, please list the respective institutions.</p> <p>No institutions have been identified through supervisory judgement. Besides, no institution stands below-but-close to the 350 bp threshold.</p>
4.4 Calibrating the O-SII buffer	<p>Please provide information on the criteria and indicators used to calibrate the level of the O-SII buffer requirement and the mapping to institution-specific buffer requirements.</p> <p>Buffer requirements for identified institutions are set in accordance with the O-SII methodological framework agreed for the Single Supervisory Mechanism by the ECB (see Governing Council Statement on Macroprudential Policies, 15 December 2016).</p>
4.5 Effectiveness and proportionality of measure	<p>Please provide a justification for why the O-SII buffer is considered likely to be effective and proportionate to mitigate the risk.</p> <p>The O-SII measure is intended to mitigate negative externalities, reduce potential moral hazard incentives and implicit subsidies (in terms of funding costs) and, ultimately, increase the designated institutions' resilience.</p> <p>Importantly, the proposed measure ensures continuity with previous years' O-SII decisions. Besides, the three-year phase-in implementation arrangement (ending on 1 January 2019) for the build-up of the buffers is considered to have allowed O-SIIs to comply with the buffer requirement in a smooth and gradual manner, thereby minimising any unintended negative effects to the financial system or the real economy.</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>Assessment of the cross-border effects of the implementation of the draft measure.</p> <p>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 Sector¹ can be used.</p> <p>b. Assessment of:</p> <ul style="list-style-type: none"> o cross-border effects (leakages and regulatory arbitrage) of the implementation of the measure in your own jurisdiction (inward spillovers); and o cross-border effects on other Member States and on the Single Market of the measure (outward spillovers). <p>The Spanish banking sector is dominated by national (i.e. domestically-owned) institutions. Furthermore, large and internationally active Spanish banks operate abroad typically through financially autonomous subsidiaries. These features are considered to limit the potential for cross-border effects resulting from the O-SII buffer requirement.</p> <p>Supported by empirical evidence and the experience gained since 2016 with the use of this macroprudential instrument, BdE's internal assessment of the O-SII buffer requirement suggests limited spillovers within the EU (particularly vis-à-vis those Member States hosting the institution's main subsidiaries). Likewise, other types of potential cross-border ef-</p>

¹ Available on the ESRB's website at www.esrb.europa.eu.



	<p>facts of the proposed measure are, a priori, expected to be contained. BdE remains committed to monitor developments in this area over the coming year in coordination with the relevant EU bodies and national authorities.</p>
<p>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>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)?</p> <p>The scope for potential leakages and regulatory arbitrage/circumvention is deemed to be very narrow, particularly on account of two key mitigating factors: (i) the macroprudential measure is directly targeted at the largest Spanish banking groups (which account for around 80% of total assets of the country's banking sector), and (ii) the Spanish financial system is largely bank-based.</p>
<p>6. Combinations and interactions with other measures</p>	
<p>6.1 Combinations between G-SII and O-SII buffers (Article 131.14)</p>	<p>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?</p> <p>Banco Santander, S.A. is the only institution being identified both as G-SII and O-SII (with the same buffer rates: 1.0% in 2021).</p>
<p>6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</p>	<p>Are any of the institutions subject to a systemic risk buffer?</p> <p>No.</p> <p>If yes, please provide the following information:</p> <ol style="list-style-type: none"> What is the level of the systemic risk buffer (in %) applied to the concerned institution Is the systemic risk buffer applied to all exposures located in your Member State only? Is the systemic risk buffer applied at the same consolidation level as the O-SII buffer? <p>Not applicable.</p>
<p>6.3 O-SII requirement for a subsidiary (Article 131.8)</p>	<p>In case the O-SII is a subsidiary of an EU parent institution which is subject to a G-SII or O-SII buffer on a consolidated basis, what is the G-SII or O-SII buffer rate on a consolidated basis of the parent institution?</p> <p>Not applicable.</p>
<p>6.4 Interaction with other measures</p>	<p>How does the buffer requirement interact with other measures addressing the same risk (e.g. with other supervisory measures)?</p> <p>Not applicable. The proposed buffer requirements are not part of a combination of macroprudential measures aimed to address the same risk. Besides, the countercyclical capital cuffer rate remains, at the time of this notification, at 0% for credit exposures located in Spain.</p>
<p>7. Miscellaneous</p>	
<p>7.1 Contact person(s) at notifying authority</p>	<p>Mailbox at the Financial Stability and Macroprudential Policy Department of BdE: macropru@bde.es</p>



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7.2 Any other relevant information	This notification was submitted on 22 October 2020, together with a confidential spreadsheet file (xls format) containing the sample and bank-level scores of the O-SII assessment exercise.
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