

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

Please send this template to

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1. Notifying national authority	
1.1 Name of the notifying authority	De Nederlandsche Bank N.V.
2. Description of the measure	
2.1 Concerned institution or group of institutions	<p>ING Bank N.V. (“ING”) (LEI: 3TK20IVIUJ8J3ZU0QE75);</p> <p>Coöperatieve Rabobank U.A. (“RABO”) (LEI: DG3RU1DBUFHT4ZF9WN62).;</p> <p>ABN AMRO Bank N.V. (“ABN”) (LEI: BFXS5XCH7N0Y05NIXW11);</p> <p>BNG Bank N.V. (“BNG”) (LEI: 529900GGYMNGRQTDOO93);</p> <p>De Volksbank N.V. (Volksbank) (LEI: 724500A1FNICHSD2I11)</p> <p>The buffer requirements are imposed on the aforementioned institutions on the basis of the highest level of consolidation. In the case of ING, the entity referred to above differs from the entity referred to in section 2.3 The reason is that the relevant provisions in Dutch law transposing Article 131 CRD (i.e. Article 3:62a of the Financial Supervision Act and Articles 105c and 105d of the Decree on Prudential Rules) prescribe that –in case of an ultimate EU parent that is not an institution but a (mixed) financial holding company– the buffer requirement applies to the institution (i.e. supervised credit institution and holder of the banking license) that is the subsidiary of the EU (mixed) financial holding company, on the basis of the consolidated financial position of that holding company. Applying the buffer requirement to the institution, does not say anything about how the buffer requirement is calculated. In our case, all five entities referred to above are required to maintain a capital buffer on the basis of the highest level of consolidation, i.e. including the whole supervised group of which either an EU parent institution or an EU parent financial holding company is the ultimate EU parent undertaking. The buffer requirements are in line with the provisions in Dutch law transposing Article 131 CRD and do not differ in (consolidation) scope or level from the ones imposed and notified by DNB in previous years.</p>

<p>2.2 Level of the buffer applied</p>	<p>DNB has decided to impose the following O-SII buffer and SRB to the aforementioned banks: a 2,5% O-SII buffer for ING Bank N.V., a 2% O-SII buffer for Coöperatieve Rabobank U.A., a 1,5% O-SII buffer for ABN AMRO Bank N.V. and a 1% O-SII buffer for BNG Bank N.V. and De Volksbank N.V. In addition, the systemic risk buffer of ING Bank N.V., Coöperatieve Rabobank U.A and ABN AMRO Bank N.V. has been reduced to 0%. The highest of the buffers is applicable.</p> <table border="1" data-bbox="443 405 1235 674"> <thead> <tr> <th>Bank</th> <th>O-SII buffer</th> <th>SRB</th> <th>Highest buffer</th> </tr> </thead> <tbody> <tr> <td>ING</td> <td>2,5%</td> <td>0%</td> <td>2,5%</td> </tr> <tr> <td>RABO</td> <td>2%</td> <td>0%</td> <td>2%</td> </tr> <tr> <td>ABN</td> <td>1,5%</td> <td>0%</td> <td>1,5%</td> </tr> <tr> <td>BNG</td> <td>1%</td> <td>0%</td> <td>1%</td> </tr> <tr> <td>Volksbank</td> <td>1%</td> <td>0%</td> <td>1%</td> </tr> </tbody> </table>	Bank	O-SII buffer	SRB	Highest buffer	ING	2,5%	0%	2,5%	RABO	2%	0%	2%	ABN	1,5%	0%	1,5%	BNG	1%	0%	1%	Volksbank	1%	0%	1%
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<p>2.3 Name of the EU ultimate parent institution</p>	<p>The 5 aforementioned entities mentioned in sections 2.1 and 2.2 have the following EU ultimate parent undertaking (either EU parent institution or EU parent financial holding company):</p> <p>ING: ING Groep N.V. RABO: Coöperatieve Rabobank U.A. (same as under 2.1) ABN: ABN AMRO Bank N.V. (same as under 2.1) BNG: BNG Bank N.V. (same as under 2.1) Volksbank: De Volksbank N.V. (same as under 2.1).</p>																								
<p>2.4 Names of subsidiaries</p>	<p>For subsidiaries (at publication date of the annual report), see:</p> <p>ING Groep N.V.: Annual report, page 375 https://www.ing.com/web/file?uuid=233b1556-54d9-4fb7-9385-c1a4e3f083f1&owner=b03bc017-e0db-4b5d-abbf-003b12934429&contentid=49335</p> <p>Coöperatieve Rabobank U.A.: Annual report, page 197 https://www.rabobank.com/en/images/annual-report-2019.pdf</p> <p>ABN AMRO Group.: Annual report, page 158 and 159 https://www.abnamro.com/nl/images/Documents/050_Investor_Relations/Financial_Disclosures/2019/ABN_AMRO_Bank_Annual_Report_2019.pdf</p> <p>BNG Bank N.V.: Annual report, page 54 https://www.bngbank.com/Documents/Investors/Annual%20Report%202019/BNG%20Bank%20Annual%20Report%202019%20.pdf</p> <p>De Volksbank N.V.: Annual report, page 198 https://www.devolsbank.nl/assets/files/Investor-Relations/Jaarverslagen-de-Volksbank/de-Volksbank-N.V.-Annual-Report-2019.pdf</p>																								
<p>3. Timing of the measure</p>																									
<p>3.1 Timing of the Decision</p>	<p>We plan to make our final decision on the 15th of October.</p>																								

3.2 Timing of the Publication	We plan to publish our final decision as soon as the CRD V is implemented in Dutch legislation (expected to be latest 28 December 2020). We may publish our general intent with regard to buffers in our Financial Stability Review of 13 th October.
3.3 Disclosure	DNB will notify the ESRB, EBA and EC of its final decision on November 28 th (i.e. one month before we publish our final decision). We plan to disclose our final decision on our website on December 28 th , subject to timely implementation of the CRD V.
3.4 Timing of Application	The new buffer requirements become effective immediately after the CRD V is transposed into Dutch national legislation (which is expected to be latest 28 December 2020).
3.5 Phasing in	The buffers are fully phased-in as of 2019.
3.6 Review of the measure	The next review is expected to take place at the end of 2021.

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)	The scores of our institutions based on 2019 Q4 data are shown below.							
	Name	O-SII total score	Size score	Importance score	Complexity score	Inter-connectedness score	O-SII buffer	SRB
	ING	4.027	3.584	4.107	5.161	3.254	2,5%	0%
	RABO	2.237	2.374	2.194	2.126	2.252	2%	0%
	ABN	1.514	1.509	2.295	1.009	1.243	1.5%	0%
	BNG	575	602	312	262	1.122	1%	0%
	Volkbank	197	253	341	61	133	1%	0%

4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)	<p>Please provide information on:</p> <p>a. <i>whether you followed the EBA guidelines on the assessment of O-SIIs:</i> DNB has fully complied with EBA guidelines.</p> <p>b. <i>which threshold score has been set to identify O-SIIs:</i> 350 basis points</p> <p>c. <i>which of the optional indicators have been used to justify supervisory assessment decisions, if any, and what are the scores:</i> (i) total exposure-at-default, (ii) type of customers, (iii) number of deposit accounts — retail, (iv) deposits guaranteed under deposit guarantee system, (v) potential reputational contagion, (vi) potential contagion through shareholders, (vii) potential contagion through entities in conglomerate.</p> <p>d. <i>why these optional indicators are relevant for the Member State:</i></p> <p>(i) Total exposure-at-default: this indicator belongs to the 'Size' category. Some banks have a relatively high amount of off-balance activities. For these banks, total assets is not an adequate reflection of their size.</p> <p>(ii) Type of customers: this indicator belongs to the 'Substitutability' category. If banks operate in a niche market that relatively few other parties are active in, the provision of critical functions could (temporarily) be disturbed if the respective bank fails.</p> <p>(iii) Number of deposit accounts — retail: this indicator belongs to the 'Substitutability' category. The impact of problems in banks with many retail clients would be relatively high because it would disrupt the access of many depositors to their funds.</p> <p>(iv) Deposits guaranteed under national deposit guarantee system: this indicator belongs to the 'Interconnectedness' category. When a bank fails, depositors will be repaid up to €100,000. The other domestic banks have to share the costs, however, since they guarantee</p>
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	<p>one another's deposits. This is, therefore, a direct contagion channel, as we witnessed in the recent financial crisis.</p> <p>(v) Potential contagion through shareholders: this indicator also belongs to the 'Interconnectedness' category. If banks have a large stake in one another, or if the government is a major shareholder, there could be contagion effects.</p> <p>(vi) Potential reputational contagion: this indicator belongs to a separate category called 'Behavioural effects'. The failure of one bank with a particular business model may result in a loss of trust in banks with comparable business models.</p> <p>(vii) Potential contagion through entities in conglomerate: this indicator belongs to the 'Behavioural effects' category. If entities within a conglomerate have the same brand name, there could also be contagion effects.</p> <p>e. <i>why the bank is systemically important in terms of those particular optional indicators:</i> The abovementioned criteria lead to the classification of one bank as O-SII: De Volksbank. This is based on the criterion deposits guaranteed under deposit guarantee system. For its relevance see the previous response.</p> <p>f. <i>whether relevant entities with relative total assets not in excess of 0.02% have been excluded from the identification process</i> n/a</p> <p>g. <i>names and scores of all relevant entities not excluded from the identification process (could be sent in a separate excel file, see 4.1)</i> A separate excel file with the scores will be sent to the EBA.</p> <p>h. <i>whether non-bank institutions have been included in the calculations</i> n/a</p>
4.3 Supervisory judgement	<p>DNB has used the supervisory overlay, as prescribed in the EBA Guideline, to identify one bank (de Volksbank) as an O-SII.</p>
4.4 Calibrating the O-SII buffer	<p>See Section 4.2 and section 4.5</p>
4.5 Effectiveness and proportionality of measure	<p>The impact of the failure of a systemic bank on the domestic financial sector and the real economy is much larger than the impact of failure of a non-systemic bank. Therefore, the probability of default of systemic banks should be significantly reduced. This can be accomplished by increasing the loss absorption capacity through the imposition of an G-SII or O-SII buffer requirement. As a bank's systemic importance rises, it will typically be required to maintain a proportionally higher systemic buffer. The higher buffer requirements will structurally increase the solvency of systemic banks in the Netherlands. This positively affects the stability of the Dutch financial system and with that, the Single Market.</p> <p>As of March 2020, DNB reduced the 3% SRB of the largest three banks (ING, Rabobank and ABN AMRO) in order to provide additional leeway to support lending to the real economy during the midst of the corona outbreak. DNB's policy decision in March resulted in different systemic buffer requirements between the three largest banks: ING (2,5%), Rabo (2%) and ABN (1,5%). The reduction of the systemic buffers went hand in hand with DNB's outspoken intention to build up a 2% countercyclical capital buffer (CCyB) in the future. This would bring the capital level of these three banks back to roughly their original levels. In other words, the decision was prompted by the desire to keep the current <i>level</i> of the capital requirement constant, but modify the <i>composition</i> of the requirement. This way it shifted DNB's buffer requirement composition – which heavily focussed on structural buffers – to a more balanced mix and enlarged the amount of releasable capital at DNB's</p>

	<p>disposal, which is a valuable addition given the sensitivity/volatility of the Dutch economy to external events as has also become apparent in the Corona outbreak.</p> <p>DNB is of the opinion that the current systemic relevance requirements are appropriate given the concentrated EBA-scores of the banks and the large size of these banks as compared to the Dutch GDP. DNB also thinks that the resulting difference in the systemic buffer requirement between the three largest banks, better reflects the difference in the systemic relevance of these banks as well. Against this background, and taking into account the CRD V implications of DNB's buffer requirements (i.e. the additivity of the O-SII buffer and SRB), DNB has decided to decrease the systemic risk buffer of ING, Rabobank and ABN AMRO to 0% and fully replace it with the O-SII buffer.</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)	As the measure applies to Dutch banks on the basis of the highest level of consolidation, there may be an impact on individuals or companies outside the Netherlands through exposures of subsidiaries and branches. However, given the current capitalisation level of the identified banks and since the buffers are fully phased-in, DNB expects the impact to be limited.
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	The O-SII buffer and the SRB are imposed on the supervised institution on the basis of the highest level of consolidation, this avoids (jurisdictional) shifts of activities within groups due to regulatory arbitrage. Systemic banks may take measures to reduce their systemic importance, possibly including a shift of activities to non-regulated entities. We expect these incentives in general to be small.
6. Combinations and interactions with other measures	
6.1 Combinations between G-SII and O-SII buffers (Article 131.14)	In case of ING (the only G-SII in NL), the O-SII is higher and also applied on a consolidated basis, and therefore only the O-SII applies.
6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	<p>Are any of the institutions subject to a systemic risk buffer?</p> <p>No, ING Bank N.V.; Coöperatieve Rabobank U.A. and ABN AMRO Bank N.V are after this decision is enforced no longer subject to a systemic risk buffer.</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: N/A Is the systemic risk buffer applied to all exposures located in your Member State only? N/A Is the systemic risk buffer applied at the same consolidation level as the O-SII buffer? N/A
6.3 O-SII requirement for a subsidiary (Article 131.8)	N/A
6.4 Interaction with other measures	We carefully monitor overlap between measures. We do not see overlap with other measures (e.g. with Pillar 2). Since the systemic risk buffer will be reduced, we also see no overlap in that regard either.

7. Miscellaneous	
7.1 Contact person(s) at notifying authority	Kenny Martens, +31 205242465, k.d.l.martens@dnb.nl and Berend Schrijver, +31 205246167, b.p.schrijver@dnb.nl
7.2 Any other relevant information	