

Notification template for Article 131 of the Capital Requirements Directive (CRD) – Other Systemically Important Institutions (O-SIIs)

Template for notifying the European Central Bank (ECB) and the European Systemic Risk Board (ESRB) of the setting or resetting of an O-SII buffer under Article 131(7) CRD and of the identity of O-SIIs under Article 131(12) CRD

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation¹);
- [DARWIN/ASTRA link] when notifying the ESRB.

The ESRB will forward this notification to the European Commission, to the European Banking Authority (EBA) and to the competent and designated authorities of the Member States concerned without delay and will publicly disclose the names of the O-SIIs on its website. This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure².

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. To facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority	
1.1 Name of the notifying authority	De Nederlandsche Bank N.V.
1.2 Country of the notifying authority	Netherlands
2. Description of the measure	
2.1a Institution or group of institutions concerned	The buffer requirements are imposed on the below mentioned 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

¹ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

² On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

	<p>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> <table border="1" data-bbox="571 398 1401 1093"> <thead> <tr> <th>Name of institution</th> <th>LEI</th> <th>Consolidation level</th> </tr> </thead> <tbody> <tr> <td>ING Bank N.V. (“ING”)</td> <td>3TK20IVIUJ8J3ZU0QE75</td> <td></td> </tr> <tr> <td>Coöperatieve Rabobank U.A. (“RABO”)</td> <td>DG3RU1DBUFHT4ZF9WN62</td> <td></td> </tr> <tr> <td>ABN AMRO Bank N.V. (“ABN”)</td> <td>BFXS5XCH7N0Y05NIXW11</td> <td></td> </tr> <tr> <td>BNG Bank N.V. (“BNG”)</td> <td>529900GGYMNGRQTDOO93</td> <td></td> </tr> <tr> <td>De Volksbank N.V. (Volksbank)</td> <td>724500A1FNICHSDF2I11</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Name of institution	LEI	Consolidation level	ING Bank N.V. (“ING”)	3TK20IVIUJ8J3ZU0QE75		Coöperatieve Rabobank U.A. (“RABO”)	DG3RU1DBUFHT4ZF9WN62		ABN AMRO Bank N.V. (“ABN”)	BFXS5XCH7N0Y05NIXW11		BNG Bank N.V. (“BNG”)	529900GGYMNGRQTDOO93		De Volksbank N.V. (Volksbank)	724500A1FNICHSDF2I11							
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<p>2.1b Changes to the list of institutions concerned</p>	<p>N/A</p>																								
<p>2.2 Level of the buffer applied</p>	<p>At what level is the fully phased-in buffer (in %) applied to the institution(s)?</p> <table border="1" data-bbox="571 1234 1442 1496"> <thead> <tr> <th>Name of institution</th> <th>New O-SII buffer</th> <th>Previous O-SII buffer</th> </tr> </thead> <tbody> <tr> <td>ING</td> <td>2,5%</td> <td>2,5%</td> </tr> <tr> <td>RABO</td> <td>2%</td> <td>2%</td> </tr> <tr> <td>ABN</td> <td>1,5%</td> <td>1,5%</td> </tr> <tr> <td>BNG</td> <td>1%</td> <td>1%</td> </tr> <tr> <td>Volksbank</td> <td>1%</td> <td>1%</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Name of institution	New O-SII buffer	Previous O-SII buffer	ING	2,5%	2,5%	RABO	2%	2%	ABN	1,5%	1,5%	BNG	1%	1%	Volksbank	1%	1%						
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<p>2.3 Name of the ultimate EU 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 a list of subsidiaries (at publication date of the annual report) we refer to: ING Groep N.V.: Annual report, page 365</p>																								

	<p>https://www.ing.com/web/file?uuid=4ba98f0a-c168-4bab-9d57-8b36cf0329ae&owner=b03bc017-e0db-4b5d-abbf-003b12934429&contentid=52579</p> <p>Coöperatieve Rabobank U.A.: Annual report, page 207 https://www.rabobank.com/en/images/annual-report-2020.pdf</p> <p>ABN AMRO Group.: Annual report, page 189 ABN AMRO – Annual Report 2020 (ctfassets.net)</p> <p>BNG Bank N.V.: Annual report, page 66 and 67 https://www.bngbank.com/-/media/Project/CBB/BNG-Bank-Shared/Documents/BNG-Bank-Annual-Report-2020-v2.pdf</p> <p>De Volksbank N.V.: Annual report, page 38 and 168 https://www.devолksbank.nl/assets/files/Investor-Relations/Jaarverslagen-de-Volksbank/de-Volksbank-N.V.-Annual-Report-2020.pdf</p>																																				
3. Timing for the measure																																					
3.1 Timing for the decision	We plan to make our final decision on 29 October 2021																																				
3.2 Timing for publication	We plan to publish our decision by 29 November 2021.																																				
3.3 Disclosure	DNB will notify the ESRB on 29 th October (i.e. one month before we publish our decision). We plan to disclose our final decision on our website on November 29 th .																																				
3.4 Timing for application	Since the buffers are unchanged, there is no particular timing of application.																																				
3.5 Phasing in	The buffers are fully phased-in as of 2019.																																				
3.6 Review of the measure	The next review will take place in 2022.																																				
4. Reason for O-SII identification and activation of the O-SII buffer																																					
4.1 Scores of institutions or group of institutions concerned, as per EBA guidelines on the assessment of O-SIIs (Article 131.3 CRD)	<p>The scores of our institutions based on 2020 Q4 data are shown below</p> <table border="1"> <thead> <tr> <th>Name of institution</th> <th>Size</th> <th>Substitutability</th> <th>Complexity</th> <th>Interconnectedness</th> <th>Overall Score</th> </tr> </thead> <tbody> <tr> <td>ING</td> <td>3569</td> <td>3942</td> <td>5163</td> <td>3121</td> <td>3949</td> </tr> <tr> <td>RABO</td> <td>2408</td> <td>2161</td> <td>2264</td> <td>2241</td> <td>2268</td> </tr> <tr> <td>ABN</td> <td>1508</td> <td>2038</td> <td>936</td> <td>1361</td> <td>1461</td> </tr> <tr> <td>BNG</td> <td>611</td> <td>268</td> <td>217</td> <td>1257</td> <td>588</td> </tr> <tr> <td>Volksbank</td> <td>257</td> <td>318</td> <td>59</td> <td>152</td> <td>196</td> </tr> </tbody> </table>	Name of institution	Size	Substitutability	Complexity	Interconnectedness	Overall Score	ING	3569	3942	5163	3121	3949	RABO	2408	2161	2264	2241	2268	ABN	1508	2038	936	1361	1461	BNG	611	268	217	1257	588	Volksbank	257	318	59	152	196
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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"> a. whether you followed the EBA guidelines on the assessment of O-SIIs; DNB has fully complied with EBA guidelines. b. which threshold score has been set to identify O-SIIs; 350 basis points c. whether relevant entities with relative total assets not in excess of 0.02% have been excluded from the identification process; NA d. the names and scores of all relevant entities not excluded from the identification process (could be sent in a separate Excel file, see 4.1); A separate excel file with the score will be shared with the ESRB. e. whether non-bank institutions have been included in the calculations. NA 																					
<p>4.3 Supervisory judgement</p>	<p>DNB has used the supervisory overlay, as prescribed in the EBA Guideline, to identify one bank (de Volksbank) as an O-SII</p> <ol style="list-style-type: none"> a. <i>which of the optional indicators have been used to justify the supervisory assessment decisions, if any, and what the scores were;</i> <ol style="list-style-type: none"> (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. b. <i>why these optional indicators are relevant for the Member State;</i> <ol style="list-style-type: none"> (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. (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. (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. (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 one another's 																					

	<p>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>c. <i>why the bank is systemically important in terms of those particular optional indicators.</i></p> <p>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>4.4 Calibrating the O-SII buffer</p>	<p>See section 4.2 and 4.5</p>
<p>4.5 Effectiveness and proportionality of measure</p>	<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>In 2020 DNB changed its composition of structural buffers in response to the outbreak of the coronavirus and in response to the implementation of the CRD V. In a nutshell, DNB first reduced the 3% systemic buffer requirement of the three largest banks (ING, Rabobank and ABN AMRO) in order to provide additional leeway to support lending to the real economy in the midst of the corona outbreak. This reduction went hand in hand with DNB's outspoken intention to build up a 2% countercyclical capital buffer (CCyB) in the future, which would bring the capital level of these three banks back to roughly their original levels. Later in 2020 when the CRD V was implemented, DNB (taking into account the CRD V implications of DNB's buffer requirements such as the additivity of the O-SII buffer and SRB) decided to abolish the SRB and to fully replace it with the O-SII buffer. This resulted in the following O-SII buffers: ING (2,5%), Rabo (2%), ABN (1,5%), Volksbank and BNG (1%).</p> <p>The policy shift in 2020 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</p>

	of releasable capital at DNB's 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. DNB is also 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. Moreover, DNB 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.
5. Sufficiency, consistency and non-overlap of the policy response	
5.1 Sufficiency of the policy response	DNB deems the imposed buffer requirements sufficient to significantly mitigate the risks of systemic importance. This can for instance be assessed by comparing the O-SII buffer imposed by DNB with the ECB minimum floor. It is then evident that the buffers imposed by DNB have an appropriate margin above the minimum floor, which is justified on the basis of having a large <u>and</u> concentrated sector. Moreover, we have no signals that there is a significant unintended impact on the general economy as a result of these requirements.
5.2 Consistency of application of the policy response	DNB judges its use of the O-SII buffer to be consistent. The Dutch O-SIIs are subject to an additional capital buffer requirement, which is put in place to enhance their loss-absorption capacity. This reduces both the probability of stress events and their potential impact. In addition, the buffer is also expected to contribute in correcting potential funding subsidies for significant institutions stemming from an implicit government guarantee, so that a level playing field for small and medium-sized (non-systemic) banks is maintained. Moreover, DNB does adhere to the common principles set out in relevant legal texts (e.g. CRD Art 131 or EBA GL 2014/10) when determining its O-SII buffers, thereby also taking into account national specificities such as a concentrated and large sector.
5.3 Non-overlap of the policy response	DNB sees no overlap between its O-SII buffers and other macroprudential instruments. DNB abolished its SRB the moment the CRD V was implemented, and therefore does not see a risk of overlap between these two buffers. DNB also does not see an overlap between the O-SII buffer and other macroprudential requirements.
6. Cross-border and cross-sector impact of the measure	
6.1 Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2³)	<u>Assessment of the cross-border effects of implementation of the measure.</u> Spillover channels operating via risk adjustment: We do not expect any significant cross-border risk adjustments. On adjustments in credit exposures, as also mentioned in below point b, there could be some decrease in foreign activities of the O-SIIs if the O-SII institutions decide to reduce their systemic significance. Credit exposures of the Dutch O-SIIs in other Member States are however not on a level that a potential reduction in their lending would significantly affect the real economy in other Member States. Moreover, to the extent that an O-SII is moderately represented in another Member State, we do not have signals that the imposition of the O-SII buffer has had a major impact on their cross-border exposures. On access to cross-border capital markets, given that the O-SII buffers are unchanged, no spillover effects are expected. Against this background, it is worth to mention that the increased resilience of the Dutch O-SIIs is expected to outweigh any negative spillovers.

³ Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).

	<p>Spillover channels operating via regulatory arbitrage:</p> <p>We expect that regulatory arbitrage is very limited, with non-banking activity slightly more significant than capital or liquidity regulatory arbitrage given the imposition of the O-SII buffer at the highest level of consolidation. Nevertheless, it is expected that the increase in activity of the non-banking sector <u>resulting from</u> the potential reduction of activities from the O-SII institutions is likely to be limited. Again here it is important to note that the O-SII buffers have not changed and that therefore there is no scope for “new” regulatory arbitrage compared to the previous year.</p> <p><u>Assessment of the cross-border effects of implementation of the measure in your own jurisdiction (inward spillovers); cross-border effects on other Member States and on the Single Market of the measure (outward spillovers); overall impact on the Single Market of implementation of the measure.</u></p> <p>We do not expect <i>outward spillovers</i> that would create additional systemic risks due to the imposition of the O-SII buffer, given that the buffer is applied at the highest level of consolidation and given that any spillovers would probably result in less activities of the Dutch O-SII institutions in foreign jurisdictions. The lack of outward spillover is supported by the fact that cross-border assets of the five O-SIIs as percentage of their total assets have remained relatively stable over the past years.. Theoretically, there could be <i>inward spillovers</i>, given that foreign financial institutions could find it more profitable than Dutch O-SII ones to offer their services in the Netherlands, given that the O-SII applies to these Dutch institutions. However, this does not seem to be the case, as in recent years the share of assets of foreign banks compared to total assets of the Dutch banking sector has not increased. The lack of inward and outward spillovers means that there is no <i>overall impact</i> on the Single Market. Finally, given that the O-SII buffers have remained unchanged, we do not expect any cross-border effects.</p>												
<p>6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p><u>Referring to your Member State's specific characteristics, what is the scope for "leakages and regulatory arbitrage" in your own jurisdiction? Is there scope for "leakages and regulatory arbitrage" in other jurisdictions?</u></p> <p>The scope for leakages and regulatory arbitrage would be the same in our jurisdiction as in others, and it would consist in O-SII institutions taking measures to reduce their systemic importance, possibly including a shift of activities to non-regulated or other regulated entities.</p> <p>As noted above, given that the O-SII buffer levels have remained unchanged, we do not expect the buffers to result in leakages or regulatory arbitrage within the Netherlands.</p>												
<p>7. Combinations and interactions with other measures</p>													
<p>7.1 Combinations between G-SII and O-SII buffers (Article 131.14)</p>	<p>One of our O-SIIs is also subject to a G-SII buffer, namely: ING. The O-SII buffer is 2,5%, whereas the G-SII buffer is 1%. Therefore the O-SII buffer is higher.</p> <table border="1" data-bbox="571 1872 1441 2018"> <thead> <tr> <th data-bbox="571 1872 927 1910">Name of institution</th> <th data-bbox="927 1872 1214 1910">O-SII buffer</th> <th data-bbox="1214 1872 1441 1910">G-SII buffer</th> </tr> </thead> <tbody> <tr> <td data-bbox="571 1910 927 1951">ING</td> <td data-bbox="927 1910 1214 1951">2,5%</td> <td data-bbox="1214 1910 1441 1951">1%</td> </tr> <tr> <td data-bbox="571 1951 927 1991"></td> <td data-bbox="927 1951 1214 1991">%</td> <td data-bbox="1214 1951 1441 1991">%</td> </tr> <tr> <td data-bbox="571 1991 927 2018"></td> <td data-bbox="927 1991 1214 2018">%</td> <td data-bbox="1214 1991 1441 2018">%</td> </tr> </tbody> </table>	Name of institution	O-SII buffer	G-SII buffer	ING	2,5%	1%		%	%		%	%
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	%	%											

7.2 Combinations with systemic risk buffers (SyRBs) (Article 131.15 CRD)	No, DNB currently does not impose a systemic risk buffer.
7.3 O-SII requirement for a subsidiary (Article 131.8 CRD)	DNB does currently not impose an O-SII buffer on a subsidiary of an EU parent institution which is subject to a G-SII or O-SII buffer on consolidated basis.
8. Miscellaneous	
8.1 Contact person(s)/mailbox at notifying authority	Contact person(s) (name, phone number and e-mail address) and mailbox for further inquiries. Kenny Martens, +31 205242465, k.d.l.martens@dnb.nl
8.2 Any other relevant information	NA
8.3 Date of the notification	29/10/2021