



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;
- 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	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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2.3 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>																		



2.4 Names of subsidiaries	<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>No subsidiaries of the concerned institutions are notified as O-SIIs in Spain.</p>																						
3. Timing of the measure																							
3.1 Timing of the Decision	<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>23 November 2017.</p>																						
3.2 Timing of the Publication	<p>What is the date of publication of the notified measure?</p> <p>24 November 2017.</p>																						
3.3 Disclosure	<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 webpage. The information will remain available under the following link:</p> <p>https://www.bde.es/bde/en/areas/estabilidad/politica-macropr/</p>																						
3.4 Timing of Application	<p>What is the intended date of activation (i.e. as of which date shall the measure be applicable)?</p> <p>1 January 2018 (applicable until 31 December 2018).</p>																						
3.5 Phasing in	<p>What is the intended timeline for the phase-in of the measure?</p> <table border="1" data-bbox="467 1153 1313 1496"> <thead> <tr> <th rowspan="3">O-SII Institution</th> <th colspan="2">O-SII buffer rates (CET1 RWA)</th> </tr> <tr> <th>From</th> <th>From</th> </tr> <tr> <th>01.01. 2018</th> <th>01.01. 2019 (*)</th> </tr> </thead> <tbody> <tr> <td>Banco Santander, S.A.</td> <td>0.75%</td> <td>1.0%</td> </tr> <tr> <td>Banco Bilbao Vizcaya Argentaria, S.A.</td> <td>0.5625%</td> <td>0.75%</td> </tr> <tr> <td>Caixabank, S.A.</td> <td>0.1875%</td> <td>0.25%</td> </tr> <tr> <td>Banco de Sabadell, S.A.</td> <td>0.1875%</td> <td>0.25%</td> </tr> <tr> <td>Banco Financiero y de Ahorros, S.A.</td> <td>0.1875%</td> <td>0.25%</td> </tr> </tbody> </table> <p>(*) Figures for 2019 are subject to confirmation at the next yearly review of the measure.</p>	O-SII Institution	O-SII buffer rates (CET1 RWA)		From	From	01.01. 2018	01.01. 2019 (*)	Banco Santander, S.A.	0.75%	1.0%	Banco Bilbao Vizcaya Argentaria, S.A.	0.5625%	0.75%	Caixabank, S.A.	0.1875%	0.25%	Banco de Sabadell, S.A.	0.1875%	0.25%	Banco Financiero y de Ahorros, S.A.	0.1875%	0.25%
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3.6 Review of the measure	<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 1 December 2018.</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>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.

The identification exercise, pursuant to the Guidelines of the European Banking Authority (EBA/GL/2014/10), yields the following list of O-SIIs (with overall score above the predetermined threshold of 350 bp):

O-SII Institution	Overall score	Categories of indicators			
		Size (25%)	Subst. (25%)	Complex. (25%)	Interconn. (25%)
Banco Santander, S.A.	4,118	922	590	1,463	1,142
Banco Bilbao Vizcaya Argentaria, S.A.	2,034	496	331	656	551
CaixaBank, S.A.	713	221	280	81	131
Banco de Sabadell, S.A.	490	146	142	94	108
BFA Tenedora de Acciones, S.A.U.	442	135	137	64	107

Note: All figures in basis points.

The scores have been calculated on the basis of end-2016 data, for all credit institutions at their highest level of consolidation in Spain.

In comparison with last year's assessment, there is one change in the list of institutions identified as O-SIIs. Banco Popular Español, S.A. was resolved in June 2017 and acquired by Banco Santander. As a result, Banco Popular is now an entity within the consolidation perimeter of Banco Santander.

Accordingly, Banco Popular has been included in the calculations (for being a stand-alone institution on the reference date of 31 December 2016) but is no longer an O-SII in 2018. Given that the RWAs of Banco Santander now include those of Banco Popular, the buffer requirement applicable in 2018 to Banco Santander will account for all RWAs.

For the remaining institutions there are no relevant changes in the corresponding O-SII buffer requirements.

Further details on the sample and results of the identification of O-SIIs are provided separately in a (confidential) Excel spreadsheet.

4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)

Please provide information on:

- a. 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 institutions.
- b. which threshold score has been set to identify O-SIIs
Baseline threshold score of 350bp (in accordance with EBA/GL/2014/10).
- c. which overall score is attributed to the O-SIIs
See section 4.1 above.
- d. which of the optional indicators have been used to justify supervisory assessment decisions, if any, and what are the scores



	<p>No optional indicators have been used.</p> <p>e. why these optional indicators are relevant for the Member State Not applicable.</p> <p>f. why the bank is systemically important in terms of those particular optional indicators Not applicable.</p> <p>g. whether relevant entities with relative total assets not in excess of 0.02% have been excluded from the identification process No.</p> <p>h. names and scores of all relevant entities not excluded from the identification process Names and scores of all relevant entities are provided in a separate and confidential Excel spreadsheet (enclosed to this template).</p> <p>i. whether non-bank institutions have been included in the calculations Non-bank institutions have not been included in the calculations.</p>															
<p>4.3 Supervisory judgement</p>	<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. Furthermore, no institution stands below-but-close to the 350 bp threshold.</p>															
<p>4.4 Calibrating the O-SII buffer</p>	<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>The identified institutions are allocated in accordance with the following scheme developed by BdE¹ (consistent with ECB’s bucketing and floor methodology for O-SIIs):</p> <table border="1" data-bbox="619 1182 1348 1440"> <thead> <tr> <th>Overall score range (bp)</th> <th>Buffer (CET1 RWA) From 1 Jan 2018</th> <th>Buffer (CET1 RWA) From 1 Jan 2019</th> </tr> </thead> <tbody> <tr> <td>3,650 – 5,850</td> <td>0.75%</td> <td>1.0%</td> </tr> <tr> <td>2,000 – 3,650</td> <td>0.5625%</td> <td>0.75%</td> </tr> <tr> <td>900 – 2,000</td> <td>0.375%</td> <td>0.50%</td> </tr> <tr> <td>350 – 900</td> <td>0.1875%</td> <td>0.25%</td> </tr> </tbody> </table> <p>The increasing size of the buckets captures the higher dispersion of the institutions as scores increase (cluster analysis).</p>	Overall score range (bp)	Buffer (CET1 RWA) From 1 Jan 2018	Buffer (CET1 RWA) From 1 Jan 2019	3,650 – 5,850	0.75%	1.0%	2,000 – 3,650	0.5625%	0.75%	900 – 2,000	0.375%	0.50%	350 – 900	0.1875%	0.25%
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900 – 2,000	0.375%	0.50%														
350 – 900	0.1875%	0.25%														
<p>4.5 Effectiveness and proportionality of measure</p>	<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 measure should contribute to mitigating negative externalities, reducing implicit subsidies and increasing O-SIIs’ resilience by improving their loss-absorbing capacity. Specifically, the capital buffers are expected to contribute to reducing the competitive advantage of O-SIIs in terms of funding costs due to their systemic nature, and limit potential moral hazard incentives in their governance.</p> <p>Importantly, the measure ensures continuity with the previous year’s requirements. This circumstance, together with the three year-long phase-in implementation arrangement for</p>															

¹ See *BdE Financial Stability Report – May 2017*, Box 3.1 “Identification of Systemic Institutions” (pages 61-62).

	<p>the build-up of the buffers, should allow O-SIIs to gradually adjust to the additional requirements resulting from this measure without major disruptions to the financial system or the real economy.</p>
5. Cross-border and cross-sector impact of the measure	
<p>5.1 Assessment of cross-border effects and the likely impact on the internal market (Recommendation ESRB/2015/2)</p>	<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 Sector² 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 financial system is dominated by national (i.e. domestically-owned) banks. The largest and internationally active institutions typically operate through financially independent structures (subsidiaries, not branches). This feature is likely to limit the potential cross-border impact of the measure. Moreover, a recent analysis of the cross-border spill-overs conducted at BdE, drawing on concepts from Chapter 11 of ESRB Handbook on Operationalising Macro-prudential Policy, shows that the outward and inward spill-overs with the EU are very limited. The largest outward exposures are, besides third countries, to the UK. Yet, since Spanish banks operating in the UK do so via subsidiaries, the exposures are limited. For inward spill-overs, the exposures from EU is even more limited. As a consequence, we do not believe that the cross-border effects of implementing these measures are significant, but remain alert and active to monitor the developments over the coming year.</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 leakages and regulatory arbitrage/circumvention is deemed to be very narrow, particularly on account of the fact that the measure is directly targeted at the five largest banking institutions in the country (accounting for around 80% of total assets). It should also be noted that the Spanish financial system is largely a bank-based one.</p>
6. Combinations and interactions with other measures	
<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>Only Banco Santander, S.A. is identified as both a G-SII and O-SII. In this case, the G-SII and O-SII buffer rates are equal (0.75% in 2018).</p>

² Available on the ESRB's website at www.esrb.europa.eu.



<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> <ul style="list-style-type: none"> a. What is the level of the systemic risk buffer (in %) applied to the concerned institution b. Is the systemic risk buffer applied to all exposures located in your Member State only? c. 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>No interactions with other structural measures are anticipated. However, interactions with cyclical measures may eventually arise given the current downward phase of the domestic credit cycle and the associated macroprudential stance (as a result of which the CCyB rate is set, at the time of this notification, at 0% in Spain).</p>

7. Miscellaneous	
<p>7.1 Contact person(s) at notifying authority</p>	<p>Mailbox at the Macroprudential Analysis and Policy Unit of BdE: macropru@bde.es</p>
<p>7.2 Any other relevant information</p>	<p>This notification was advanced to the ESRB on 23 October 2017.</p>