Template for notifying the intended use of a systemic risk buffer (SRB)

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1. Notifying national authority and scope of the notification	
1.1 Name of the notifying authority	National Committee for Macroprudential Oversight (NCMO)
1.2 Type of measure intended (also for reviews of existing measures)	Periodical recalibration of an existing SyRB.
2. Description of the notified measure	
2.1 Institutions covered by the intended SRB	The systemic risk buffer is applicable to all credit institutions Romanian legal entities.
2.2 Buffer rate **(Article 133(11)(f) of the CRD)**	The level of the buffer rate was already set by the *NCMO Recommendation No. 9/2017 on the systemic risk buffer in Romania*. The measure was notified on January 31, 2018 and was implemented starting with June 30, 2018. The vulnerabilities identified across the national financial system when the SyRB was implemented are still considered relevant: (i) the possibility of a renewed increase in non-performing loan ratios, following the rise in interest rates and the slowdown in the balance sheet clean-up process; (ii) the tensions surrounding macroeconomic equilibria. The level of the systemic risk buffer is set at 0 percent, 1 percent or 2 percent, according to the 12 months average of the non-performing loans ratio and the coverage ratio with provisions reported by each individual credit institution, in accordance with the methodology established in the implementation process of the SyRB:

Non-performing loans ratio	**Coverage ratio with provisions**	**Buffer rate (% of CET1 capital applied to total RWA)**
< 5%	> 55%	0%

> 5%	> 55%	1%
< 5%	< 55%	1%
> 5%	< 55%	2%

This approach was implemented in order to support the credit risk management process and to increase the resilience of the banking sector against unanticipated shocks, amid structural unfavourable circumstances

The most recent revaluation was performed based on the 12 months average calculated for the asset quality assessment indicators (non-performing loans rate and coverage ratio) for the period July 2019 - June 2020, which is the basis of the capital requirement represented by the SyRB applicable between January 1 and June 30, 2021. In the table below is present ed the level of the Systemic Risk Buffer, applicable at the highest level of consolidation, to the credit institutions Romanian legal entities :

Credit institutions	Basis	The SyRB applicable between 31.01 – 30.06.2021	LEI
Alpha Bank S.A.	individual	1%	529900TKT32Z5LP7XF90
Banca Comercială Română S.A	consolidated	0%	549300ORLU6LN5YD8X90
Banca Comercială Feroviara S.A.	individual	2%	529900HO7D9PZWCL4924
Banca Română de Credite şi Investiţii S.A.	individual	0%	315700BEHT3NJAG8RX82
BRD - Groupe Société Générale S.A.	consolidated	0%	5493008QRHH0XCLJ4238
Banca Românească S.A.	individual	2%	549300RG0AL55BUXHL12
Banca Transilvania S.A.	consolidated	1%	549300RG3H390KEL8896
Credit Agricole Bank S.A.	individual	0%	549300HWO4MKNPLCS870
Credit Europe Bank S.A.	consolidated	1%	549300Y0HU846VCZER04
CEC Bank S.A.	individual	2%	2138008AVF4W7FMW8W87
Banca Cooperatista Creditcoop	individual	0%	3157006K4C7PJT790450
Banca de Export-Import a României Eximbank S.A.	individual	1%	635400F6HLXKXNJJX605
First Bank S.A.	individual	1%	549300UH7FDPRNBABQ46
Garanti Bank S.A.	individual	0%	549300UZRCTIM0HREY46
Idea Bank S.A.	consolidated	1%	213800B6NFUNHBD4J569

	Banca Comercială Intesa SanPaolo S.A.	individual	0%	549300CGLRBLXD8PLZ18
	Libra Internet Bank S.A.	individual	1%	315700WKDD4ZSRL7HW38
	OTP Bank S.A.	consolidated	2%	5299003TM0P7W8DNUF61
	Patria Bank S.A.	consolidated	1%	54930034L83M3E7JWI25
	Porsche Bank S.A.	individual	0%	529900XIGDAMPGRLP324
	ProCredit Bank S.A.	individual	0%	5299006OMGUYDLEXQ337
	Raiffeisen Bank S.A.	consolidated	0%	549300RFKNCOX56F8591
	UniCredit Bank S.A.	consolidated	1%	5493003BDYD5VPGUQS04
	Vista Bank S.A.	individual	2%	54930017QGBKEZSPKH30
2.3 Exposures covered by the SRB	All exposures.			

3. Timing of the measure	
3.1 Timing of the Decision	24 September 2018
3.2 Timing of the Publication	25 September 2018
3.3 Disclosure	I The *NCMO Recommendation No. 9/2017 on the systemic risk buffer in Romania* and the *NCMO Recommendation No. R/7/2018 on the systemic risk buffer in Romania* were published on the NCMO website – http://www.cnsmro.ro/en/politica-macroprudentiala/lista-recomandarilor/ The *NCMO Recommendation No. 9/2017 on the systemic risk buffer in Romania* was implemented by the National Bank of Romania, as the competent authority, by issuing the *NBR Order no.4/2018 on the systemic risk buffer* (published in Monitorul Oficial al României, Part I, no. 433 of 22 May 2018). The *NCMO Recommendation No. R/7/2018 on the systemic risk buffer in Romania* was implemented by the National Bank of Romania, as the competent authority, by issuing the *NBR Order No. 8/2018 on the systemic risk buffer* (published in Monitorul Oficial al României, Part I, No.1031 of 5 December 2018). Both NBR orders are also published on the NBR website under Legislație/ Index de reglementări BNR (Romanian only). Starting with January 1, 2019, the *NBR Order No. 8/2018 on the systemic risk buffer* replaced the *NBR Order no.4/2018 on the systemic risk buffer.* According the provisions of the *NCMO Recommendation No. R/7/2018 on the systemic risk buffer in Romania*, by issuing the *NBR Order No. 8/2018 on the systemic risk buffer* the calculation intervals for the asset quality assessment indicators, which are the basis for determining the SyRB level for each credit institution, have been standardized.

	The information regarding the implementation of the systemic risk buffer in Romania (including the applicable legislation, the methodology, the motivation, the level, the institutions which are subject to the SyRB etc) is published on the NBR website - http://www.bnr.ro/The-systemic-risk-buffer-17993.aspx
3.4 Timing of Application	1 January – 30 June 2021
3.5 Phasing in	Whitout phase-in
3.6 Review/deactivation of the measure	The level of the systemic risk buffer is set at 0 percent, 1 percent or 2 percent, based on the 12 months average of the non-performing loans ratio and the coverage ratio with provisions reported by each individual credit institution, in accordance with the methodology set by the *NBR Order No. 8/2018 on the systemic risk buffer*, as follows: 1. The level of the capital buffer for systemic risk to be maintained by credit institutions, Romanian legal persons, is established according to the average values for the indicators regarding the rate of non-performing loans and the degree of coverage with provisions (as specified in the *NCMO Recommendation No. R/9/2017 on the systemic risk buffer in Romania*; details are included in the section 2.2 – Buffer rate). 2. The indicators mentioned in point 1 are determined according to the following calculation formulas: 2.1. Non-performing loans rate = value of non-performing loans and advances / total value of loans and advances 2.2. Coverage ratio with provisions = the value of the accumulated depreciation, of the cumulative change of the fair value due to the credit risk and of the provisions for non-performing exposures, related to loans and advances / value of non-performing loans and advances 3. The systemic risk buffer is determined as follows: 3.1. In order to maintain the capital buffer for the period January 1 - June 30 of each calendar year (N), the credit institutions that are the object of supervision on a consolidated basis exercised by the National Bank of Romania according to the provisions of art. 297 of the NBR Regulation no. 5/2013, with the subsequent modifications and completions, determine the average of the non-performing loans rates and the average of coverage ratio with provisions based on the data reported in the consolidated financial reports, prepared for prudential purpose, for the reference dates 30.09. (N-2), 31.12. (N-2), 31.03. (N-1) and 30.06. (N-1), in the Form 18.00, provided in Annex III to the *Implementing Regulation (EU) no. 680/2014 of the Commission of April 16, 2014 establishing technical implementing standards regarding the reporting for the purposes of supervision of institutions in accordance with Regulation (EU) no. 575/2013 of the European Parliament and of the Council*, as subsequently amended and supplemented, as follows: a) value of non-performing loans and advances - form 18.00, rows 070 + 191 + 221, column 060. For the reference dates afferent to the year 2017, the credit institutions will use the values in the form 18.00, rows 070 + 250, column 060; b) total value of loans and advances - form 18.00, rows 070 + 191 + 221, column 010. For the reference dates afferent to the year 2017, the credit institutions will use the values in the form 18.00, rows 070 + 250, column 010; c) the value of the accumulated impairment, the cumulative change of the fair value due to the credit risk and the provisions for non-performing exposures, related to loans and advances - form 18.00, rows 070 + 191 + 221, column 150. For the reference dates afferent to the year 2017, the credit institutions will use the values reported in the form 18.00, rows 070 + 250, column 150. 3.2. To maintain the capital buffer for the period 1 July to 31 December of each calendar year (N),

	in order to determine the average of the non-performing loans rates and the average of coverage ratio with provisions, the credit institutions mentioned in sub-item. 3.1 will use the data included in the consolidated financial statements, prepared for prudential purposes, for the reference data 31.03. (N-1), 30.06. (N-1), 30.09. (N-1) and 31.12. (N-1), in form 18.00, provided in Annex III to the *Implementing Regulation (EU) no. 680/2014*, with subsequent modifications and completions, using the same specifications mentioned in sub-item. 3.1 lit. a) -c). 3.3. In order to maintain the capital buffer for the period January 1 - June 30 of each calendar year (N), the credit institutions that are subject to supervision only on an individual basis exercised by the National Bank of Romania determine the average of the non-performing loan rates and the average of coverage ratio with provisions based on the data reported in the monthly financial reports, reported at individual level for prudential purposes, for the reference dates representing the end of each calendar month from July (N-2) to June (N-1), in the form 18.00, provided by the *Methodological norms regarding the preparation of FINREP financial statements at the individual level, in accordance with the International Financial Reporting Standards, applicable to credit institutions for prudential supervision purposes*, approved by the *NBR Order no. 9/2017* or, as the case may be, through the NBR Order no. 6/2014, as subsequently amended and supplemented, as follows: a) value of non-performing loans and advances - form 18.00, provided by the annex to the NBR Order no. 9/2017, rows 070 + 191 + 221, column 060. For the reference dates afferent to the year 2017, the credit institutions will use the values in the form 18.00, provided by the annex to the NBR Order no. 6/2014, with the subsequent modifications and completions, rows 070 + 250, column 060; b) total value of loans and advances - form 18.00, provided by the annex to the NBR Order no. 9/2017, rows 070 + 191 + 221, column 010. For the reference dates afferent to the year 2017, the credit institutions will use the values in the form 18.00, provided by the annex to the NBR Order no. 6/2014, with the subsequent modifications and completions, rows 070 + 250, column 010; c) the value of the accumulated impairment, the cumulative change of the fair value due to the credit risk and the provisions for non-performing exposures, related to loans and advances - form 18.00, provided by the annex to the NBR Order no. 9/2017, rows 070 + 191 + 221, column 150. For the reference dates afferent to the year 2017, the credit institutions will use the values in the form 18.00, provided by the annex to the NBR Order no. 6/2014, with subsequent amendments and additions, rows 070 + 250, column 150. 3.4. To maintain the capital buffer for the period 1 July to 31 December of each calendar year (N), the credit institutions that are subject to supervision only on an individual basis exercised by the National Bank of Romania determine the average of the non-performing loans rates and the average of coverage ratio with provisions based on the data reported in the monthly financial statements, reported at individual level for prudential purposes, for the reference dates representing the end of each calendar month from January (N-1) to December (N-1), in the form 18.00, provided by the Methodological norms regarding the drafting of FINREP financial statements at individual level, in compliance with the International Financial Reporting Standards, applicable to credit institutions for prudential supervision purposes, approved by the NBR Order no. 9/2017, using the same specifications mentioned in sub-item. 3.3 lit. a) -c). **Thus, the *NBR Order No. 8/2018 on the systemic risk buffer* clearly states in Article 2 that the credit institutions compute the level of the Systemic Risk Buffer in accordance with the methodology provided.** The level and the scope of the SyRB is reviewed periodically, i.e. at least every second year according the provisions of Article 133(10)(b) of the CRD.
4. Reasons for the intended SRB	

4.1 Description of the long-term non-cyclical systemic risk in your Member State **(Article 133(11)a of the CRD)**	The introduction of a systemic risk buffer is a macroprudential policy option, based on the following considerations: (i) the need to address the issue of non-performing loans from a macroprudential perspective, taking into account the possibility of a renewed increase in non-performing loan ratios, following the rise in interest rates and the slowdown in the balance sheet clean-up process, (ii) the tensions surrounding domestic macroeconomic equilibria, including through the shaping of a legislative framework with potentially adverse effects on the management of risks in the banking sector and lingering uncertainties about the regional and international context. These risks are widespread in the whole banking sector, therefore the SyRB is applicable to all the credit institutions, Romanian legal entities.
4.2 Reasons why the dimension of the long-term non-cyclical systemic risk threatens the stability of the financial system in your Member State **(Article 133(11)(b) of the CRD)**	The rationale behind implementing the systemic risk buffer is circumscribed to the following two perspectives: (i) ensuring an adequate management of credit risk from a macroprudential perspective, amid the possible return of non-performing loans onto an upward path, in the context of unfavourable circumstances related to credit institutions' potential future efforts to clean up their balance sheets and (ii) preserving financial stability, assuming that the tensions surrounding domestic macroeconomic equilibria and regional and global uncertainties will persist. The European initiatives concerning NPL resolution highlight the importance of tackling this issue from a macroprudential perspective, due to the significant negative effects on banking sector activity and, therefore, on the real economy. Moreover, the tightening on macroeconomic equilibria can lead to significant negative second-round effects on the financial sector, in case of unanticipated external or internal shocks.
4.3 Indicators used for the activation of the measure	The level of the systemic risk buffer is set according to the 12 months average of the non-performing loans ratio and the coverage ratio with provisions reported by each individual credit institution. The details are shown in the section 3.6.
4.4 Effectiveness and proportionality of the measure **(Article 133(11)(c) of the CRD)**	The implementation of a systemic risk buffer applicable to all exposures aims at supporting the credit risk management process and at increasing the resilience of the banking sector against unanticipated shocks, amid structural unfavourable circumstances. The proportionality of the measure is argued through the calibration methodology which is based on historical information used as forward guidance to assess potential vulnerabilities given by of a renewed increase in non-performing loan ratios. Moreover, it provides incentives for the banking sector to further support the balance sheet clean-up process, with significant positive effects on financial stability.
4.5 Justification of inadequacy of existing measures in the CRD or in the CRR, excluding Articles 458 and 459 of the CRR, to address the identified risks **(Article 133(11)(e) of the CRD)**	Other macroprudential instruments could not address the identified risks, due to the following arguments: - the countercyclical capital buffer (CCyB) – the buffer is designed to counter pro-cyclicality in the financial system, by dampening excessive credit growth during the upswing of the financial cycle and providing capital reserves in case of a downturn. - Pillar II capital requirements – this instrument is institution – specific, while the identified vulnerabilities are system-wide and concern the linkages between the financial sector and the real economy, therefore they should not be subject to Pillar II requirements which tackle risks from a microprudential perspective. - the other systemically important institutions buffer (O-SII) – this instrument covers the risks related to the size of individual institutions.
5. Cross-border and cross-sector impact of the measure	
5.1 Assessment of cross-border effects and the likely impact on the	Considering the reduced amount of Romanian banking system's exposures to other member states and to third countries, no material cross-border effects are expected.

internal market **(Article 133(11)(d) of the CRD and Recommendation ESRB/2015/2)**	The SyRB applicable to Romanian credit institutions is not expected to have a negative impact on the internal market. The SyRB will foster financial stability within the Romanian banking sector. With respect to the impact on the internal market, 88.4% of total exposures in the balance sheet of the Romanian banks as of Q2 2020 are of a domestic nature. Moreover, 99% of exposures to household and non-financial companies come from domestic debtors. The Romanian banking sector has a relatively modest importance on the foreign markets in terms of both assets and cross-border loans. Direct cross-border loans and through branches sum up 10.77% of the total loans in the balance sheet of the Romanian banking sector, most of them being loans granted to other financial institutions (only 0.34% of total loans are cross border loans granted to household and non-financial companies). Moreover, these figures becomes insignificant when compared to the EU banking sector (according the latest available figures – Consolidated Banking Data - the share of the Romanian banking sector in the total assets of the EU banking sector was only 0.33% as of December 2019). Under these circumstances, our assessment is that the above-mentioned measure has little potential to generate significant cross-border effects via the risk adjustment spillover channel. Concerning the regulatory arbitrage channel, the structure of the banking groups indicates a marginal contribution of the foreign entities to the own funds of the groups or to their capital ratios. As of December 2019 the contribution of foreign entities to the domestic group capital ratio was 1.1% per total banking groups.
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	No leakages and regulatory arbitrage are expected within Romania, as the SyRB is applicable at the highest level of consolidation
5.3 Reciprocation by other Member States **(Article 134(4) of the CRD and Recommendation ESRB/2015/2)**	Taking into account that the implementation of the Systemic Risk Buffer in Romania aims at mitigating the identified vulnerabilities arising from the balance sheets of the credit institutions, which are Romanian legal entities, as well as the reduced linkages described in section 5.1, reciprocation of the SyRB by other Member States is not required.
6. Combination of the SRB with other buffers	
6.1 Combination with G-SII and/or O-SII buffers (Article 133(4) and (5) of the CRD)	a. Is a G-SII buffer and/or O-SII buffer applied to the same institution? At which consolidation level? An O-SII buffer is applicable to 8 credit institutions at the highest level of consolidation. The credit institution in Romania which were identified as having a systemic character, are the following: UniCredit Bank S.A., Banca Transilvania S.A., Banca Comercială Română S.A., BRD - Groupe Société Générale S.A., Raiffeisen Bank S.A., Alpha Bank România S.A., OTP Bank S.A., CEC Bank S.A. b. In case a G-SII buffer and an O-SII buffer are both applied to the institution at a consolidated level, which one of the buffers is the highest? In Romania no credit institution was identified as being global systemically important institution – G-SII.

	c. Can the SyRB be applied cumulatively with the G-SII and/or O-SII buffer(s)? (Article 133(5) of the CRD) In case not, which buffer is the highest? Both SyRB and O-SII buffer are applied at the highest level of consolidation to all exposures in the balance sheet of the credit institutions. For the time being, implementation in the national legislation of the CRD V provisions is not finalized. Therefore, the capital requirement for structural buffers is still determined as the maximum level of the O-SII buffer and the SyRB.
6.2 Other relevant information	
7. Miscellaneous	
7.1 Contact person(s) at notifying authority	Mr. Eugen Rădulescu Director, Financial Stability Department, National Bank of Romania and NCMO Secretariat Phone: +40311 32 1100 Email: eugen.radulescu@bnro.ro; secretariat.cnsmro@bnro.ro
7.2 Any other relevant information	