

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](#) 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	National Committee for Macroprudential Oversight (NCMO)
1.2 Country of the notifying authority	Romania
2. Description of the measure	
2.1a Institution or group of institutions concerned	<p>The NCMO assessed the Romanian banking system from the perspective of the systemic entities starting from the data related to the last financial year ended on 31 December 2022.</p> <p>The NCMO evaluation observed the best practices recommended by EBA, i.e. the <i>Final Peer Review Report on the peer review of the Guidelines on criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)</i> – November 2017 stating the following: “A best practice might be to use the year-end data of the year preceding the identification assessment of the systemic risk dimension, while allowing some flexibility for the use of other additional reference periods to account for structural changes to the composition</p>

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.

of the banking system, to inform supervisory judgement or to account for year-end reference dates that may be of relevance to the jurisdiction”.

The results obtained from the evaluation carried out for December 31, 2022 were confirmed by the analyses elaborated for the reference dates: 30 September 2022, 31 March 2023 and 30 June 2023.

No change was reported in the structure of the Romanian banking sector during 2023.

Name of institution	LEI	Consolidation level
Banca Transilvania S.A.	549300RG3H390KE L8896	Consolidated level
UniCredit Bank S.A.	5493003BDYD5VPG UQS04	Sub-consolidated level
Banca Comercială Română S.A.	549300ORLU6LN5Y D8X90	Sub-consolidated level
BRD - Groupe Soci�t� G�n�rale S.A.	5493008QRHH0XCL J4238	Sub-consolidated level
Raiffeisen Bank S.A.	549300RFKNCOX56 F8591	Sub-consolidated level
OTP Bank Romania S.A.	5299003TM0P7W8D NUF61	Sub-consolidated level
CEC Bank S.A.	2138008AVF4W7F MW8W87	Individual level
Alpha Bank Romania S.A.	529900TKT32Z5LP7 XF90	Individual level
Exim Banca Rom�neasc� S.A. (former Banca de Export-Import a Rom�niei EXIMBANK S.A.)	635400F6HLXKXNJ JX605	Individual level

2.1b Changes to the list of institutions concerned

Compared to the results of the previous evaluation (carried out in 2022 on the basis of data available for the reference date 31 December 2021, which were used to take decisions on the level of the O-SII buffer applicable during 2023), no change occurred in the list of systematically important institutions, specifying that, related to the year 2023, **Exim Banca Rom neasc  S.A.** (former Banca de Export-Import a Rom niei EXIMBANK S.A.) was identified as having a systemic character in the first evaluation stage (based on the score resulted from the mandatory indicators calculated following EBA/GL/2014/10), while for the year 2024, this bank was identified as systemic in the second step of evaluation (supervisory judgement) based on the following criteria:

- a) The contribution of the credit institution to finance the real economy, calculated by the volume of loans to nonfinancial companies and the substitution degree of lending to nonfinancial companies;

	<p>b) The contribution of the credit institution to financial intermediation, calculated by the volume of deposits from households and nonfinancial companies;</p> <p>c) The activity of the credit institution on the interbank market and quantifying the contagion effects;</p> <p>d) Assessment of systemically important institutions in the ReGIS payment system;</p> <p>Starting May 2023, Banca de Export-Import a României EXIMBANK S.A. changed the name in Exim Banca Românească S.A. following the completion of the merger by absorption of the Banca Românească S.A.</p>																														
<p>2.2 Level of the buffer applied</p>	<table border="1"> <thead> <tr> <th>Name of institution</th> <th>New O-SII buffer</th> <th>Previous O-SII buffer</th> </tr> </thead> <tbody> <tr> <td>Banca Transilvania S.A.</td> <td>2%</td> <td>2%</td> </tr> <tr> <td>UniCredit Bank S.A.</td> <td>1.5%</td> <td>1.5%</td> </tr> <tr> <td>Banca Comercială Română S.A.</td> <td>1.5%</td> <td>1.5%</td> </tr> <tr> <td>BRD - Groupe Soci�t� G�n�rale S.A.</td> <td>1.5%</td> <td>1.5%</td> </tr> <tr> <td>Raiffeisen Bank S.A.</td> <td>1%</td> <td>1%</td> </tr> <tr> <td>OTP Bank Romania S.A.</td> <td>0.5%</td> <td>0.5%</td> </tr> <tr> <td>CEC Bank S.A.</td> <td>1%</td> <td>0.5%</td> </tr> <tr> <td>Alpha Bank Romania S.A.</td> <td>0.5%</td> <td>0.5%</td> </tr> <tr> <td>Exim Banca Rom�neasc� S.A. (former Banca de Export-Import a Rom�niei EXIMBANK S.A.)</td> <td>0.5%</td> <td>0.5%</td> </tr> </tbody> </table>	Name of institution	New O-SII buffer	Previous O-SII buffer	Banca Transilvania S.A.	2%	2%	UniCredit Bank S.A.	1.5%	1.5%	Banca Comercială Română S.A.	1.5%	1.5%	BRD - Groupe Soci�t� G�n�rale S.A.	1.5%	1.5%	Raiffeisen Bank S.A.	1%	1%	OTP Bank Romania S.A.	0.5%	0.5%	CEC Bank S.A.	1%	0.5%	Alpha Bank Romania S.A.	0.5%	0.5%	Exim Banca Rom�neasc� S.A. (former Banca de Export-Import a Rom�niei EXIMBANK S.A.)	0.5%	0.5%
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	Raiffeisen Bank S.A.	Raiffeisen Bank International AG	9ZHRYM6F437SQJ6 OUG95																		
	OTP Bank Romania S.A.	OTP Bank Nyrt.	529900W3MOO00A1 8X956																		
	Alpha Bank Romania S.A.	Alpha Bank Services & Holdings S.A.	5299009N55YRQC69 CN08																		
2.4 Names of subsidiaries	N/A																				
	Name of parent O-SII identified	Name of O-SII subsidiary	LEI of O-SII subsidiary																		
3. Timing for the measure																					
3.1 Timing for the decision	19/10/2023																				
3.2 Timing for publication	The intended date of publication of the notified measure is November 2023.																				
3.3 Disclosure	<p>The National Committee for Macroprudential Oversight (http://www.cnsmro.ro/en/) as the designated authority and the National Bank of Romania (http://www.bnr.ro/Macroprudential-Policy-15315.aspx) as the competent authority, will publish on their official websites (i) the names of the identified systemically important institutions based on data available for 31 December 2022, (ii) the scores obtained according to the methodology harmonized with the EBA Guidelines, (iii) the capital requirements consisting in the O-SII buffer applicable starting with 1st of January 2024 and (iv) the level at which the O-SII buffer is applicable (individual/consolidated). In addition, the NBR, as the competent authority, will communicate the decision to each systemic bank which is subject to the O-SII buffer.</p>																				
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3.6 Review of the measure	<p>According to the Article 131(6) and 131(12) of <i>DIRECTIVE (EU) 2019/878 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (CRD V)</i>, which was implemented in the national legal framework by the <i>NCMO Regulation No. 1 of 18 December 2020 amending and supplementing the National Committee for Macroprudential Oversight Regulation No. 2/2017 on the methodology and procedures used for setting capital buffers and the scope of these instruments</i>, the list of O-SIIs and the respective O-SII buffer will be reviewed annually. The present decision refers to O-SII buffers applicable starting with the 1st of January</p>																				

2024. The next revision of the measure will be made in 2024 and will be applicable during 2025.

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)

Name of institution	Size	Substitutability	Complexity	Interconnectedness	Overall Score
Banca Transilvania S.A.	1968	1753	1654	1352	1681
UniCredit Bank S.A.	926	871	1468	1683	1237
Banca Comercială Română S.A.	1381	1225	701	1696	1250
BRD - Groupe Société Générale S.A.	1032	1024	2184	949	1297
Raiffeisen Bank S.A.	875	1080	382	1001	834
OTP Bank Romania S.A.	289	262	1111	306	492
CEC Bank S.A.	865	711	95	393	516
Alpha Bank Romania S.A.	295	245	340	493	343
Exim Banca Românească S.A. (former Banca de Export-Import a României EXIMBANK S.A.)	321	244	145	174	221

Exim Banca Românească S.A. (former Banca de Export-Import a României EXIMBANK S.A.) was identified as having a systemic character in the second step of evaluation (supervisory judgement) based on the following criteria:

- a) The contribution of the credit institution to finance the real economy, calculated by the volume of loans to nonfinancial companies and the substitution degree of lending to nonfinancial companies – the bank is systemic for all the analysed reference dates : T4 2022 (5,81%), T3 2022 (5,04%), T1 2023 (4,37%) and T2 2023 (5,22%);
- b) The contribution of the credit institution to financial intermediation, calculated by the volume of deposits from households and nonfinancial companies – the bank is systemic for T1 2023 (2,96%) and T2 2023 (2,88%);

	<p>c) The activity of the credit institution on the interbank market and quantifying the contagion effects – the bank is systemic for the reference dates T4 2022, T1 2023 and T2 2023;</p> <p>d) Assessment of systemically important institutions in the ReGIS payment system – the bank is systemic for the reference date T2 2023 (3,60%);</p> <p>The values of the indicators of the identified O-SIIs are provided in the attached Excel files (Annex no.1a – Mandatory indicators December 31, 2021).</p>																											
<p>4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</p>	<p>The methodology for identifying the systemic banks - which is implemented by the National Bank of Romania, as competent authority - is harmonized with <i>the EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)</i>.</p> <p>The methodology employs two steps: 1) calculation of scores based on mandatory indicators recommended by the <i>EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)</i>; 2) calculation of optional indicators (supervisory judgement).</p> <p>In the first step the mandatory criteria and indicators are used, i.e.:</p> <table border="1" data-bbox="571 904 1445 1711"> <thead> <tr> <th>Criterion</th> <th>Indicator</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>Size</td> <td>Total assets</td> <td>25%</td> </tr> <tr> <td rowspan="3">Importance (including substitutability/financial infrastructure)</td> <td>Value of domestic payment transactions</td> <td>8.33%</td> </tr> <tr> <td>Private sector deposits from depositors in the EU</td> <td>8.33%</td> </tr> <tr> <td>Private sector loans to recipients in the EU</td> <td>8.33%</td> </tr> <tr> <td rowspan="3">Complexity/cross-border activity</td> <td>Value of OTC derivatives (notional)</td> <td>8.33%</td> </tr> <tr> <td>Cross-jurisdictional liabilities</td> <td>8.33%</td> </tr> <tr> <td>Cross-jurisdictional claims</td> <td>8.33%</td> </tr> <tr> <td rowspan="3">Interconnectedness</td> <td>Intra-financial system liabilities</td> <td>8.33%</td> </tr> <tr> <td>Intra-financial system assets</td> <td>8.33%</td> </tr> <tr> <td>Debt securities outstanding</td> <td>8.33%</td> </tr> </tbody> </table> <p>For all the evaluations performed in 2015 - 2023, the National Bank of Romania, as competent authority, used the threshold of 275 basis points, based on discretions provided by the <i>EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)</i>. The threshold of 275 basis points takes into account the specificities of the Romanian banking sector and the resulting statistical distribution of the scores, thereby ensuring the homogeneity of the group of designated O-SIIs.</p>	Criterion	Indicator	Value	Size	Total assets	25%	Importance (including substitutability/financial infrastructure)	Value of domestic payment transactions	8.33%	Private sector deposits from depositors in the EU	8.33%	Private sector loans to recipients in the EU	8.33%	Complexity/cross-border activity	Value of OTC derivatives (notional)	8.33%	Cross-jurisdictional liabilities	8.33%	Cross-jurisdictional claims	8.33%	Interconnectedness	Intra-financial system liabilities	8.33%	Intra-financial system assets	8.33%	Debt securities outstanding	8.33%
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Eight out of nine systemically important institutions listed in the Section 2.1.a. were identified using the mandatory indicators recommended by the *EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)*, as follows: **Banca Transilvania, BRD – Groupe Societe Generale, Banca Comercială Română, UniCredit Bank, Raiffeisen Bank, CEC Bank, OTP Bank and Alpha Bank.**

In order to calculate the mandatory indicators, the harmonized definitions are used according the specifications in Table 2 of Annex 1 in the *EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)* based on FINREP reports compiled according the implementing technical standard on an EU-wide common supervisory reporting framework.

The highest level of consolidation was used for compilation of the mandatory indicators.

The evaluation performed by the NBR, as competent authority, comprised all the credit institutions operating in Romania. The names and scores of institutions included in the current evaluation, which are based on financial reports for 31 December 2021, are listed below:

Banca Transilvania S.A. – 1681 basis points
BRD - Groupe Société Générale S.A. – 1297 basis points
Banca Comercială Română S.A. – 1250 basis points
UniCredit Bank S.A. – 1237 basis points
ING Bank N.V., Amsterdam – Bucharest branch – 864 basis points
RAIFFEISEN BANK S.A. – 834 basis points
C.E.C. Bank S.A. – 516 basis points
OTP BANK ROMANIA S.A. – 492 basis points
ALPHA BANK ROMANIA S.A. – 343 basis points
Citibank Europe plc, Dublin - Romania branch – 292 basis points
Exim Banca Românească S.A. (former Banca de Export-Import a României EXIMBANK S.A.) - 221 basis points
GARANTI BANK S.A. – 175 basis points
BANCA COMERCIALĂ INTESA SANPAOLO ROMANIA S.A. – 121 basis points
BNP Paribas Paris – Bucharest branch – 109 basis points
LIBRA INTERNET BANK S.A. – 107 basis points
VISTA BANK S.A. – 104 basis points
FIRST BANK S.A. – 87 basis points
Credit Europe Bank S.A. – 53 basis points
Patria Bank S.A. – 46 basis points
ProCredit Bank S.A. – 41 basis points
BNP Paribas Personal Finance SA Paris - Bucharest branch – 33 basis points
TBI Bank EAD Sofia - Bucharest branch – 26 basis points
Alior Bank S.A. Varşovia – 17 basis points
BANQUE BANORIENT FRANCE S.A. - Romania branch – 15 basis points
CREDITCOOP – 11 basis points
PORSCHE BANK ROMANIA S.A. – 10 basis points
Tech Ventures Bank – 8 basis points
BANCA ROMÂNĂ DE CREDITE SI INVESTIȚII S.A. – 5 basis points
Bank of China - Bucharest branch – 1 basis points

No credit institution was excluded from the evaluation process. The evaluation comprised individual (solo) credit institutions and banking groups.

	<p>Only the non-bank institutions that are part in the banking groups have been included in the calculations. The independent non-bank institutions were not included in the assessment.</p>
<p>4.3 Supervisory judgement</p>	<p>The methodology employed by the National Bank of Romania, as competent authority, comprises the following indicators in the second step of evaluation (supervisory judgement):</p> <ul style="list-style-type: none"> a) The contribution of the credit institution to finance the real economy, calculated by the volume of loans to nonfinancial companies and the substitution degree of lending to nonfinancial companies; b) The contribution of the credit institution to financial intermediation, calculated by the volume of deposits from households and nonfinancial companies; c) The activity of the credit institution on the interbank market and quantifying the contagion effects; d) Assessment of systemically important institutions in the ReGIS payment system; e) Contagion vulnerability from the parent to subsidiary banks through the common lender channel (home country capital). <p>Consistency of results between the first step of evaluation (calculation of scores based on mandatory indicators) and the second step of evaluation (supervisory judgement) is achieved by using a minimum threshold of 2.75% for the optional indicators, which is equivalent to 275 basis points threshold set for the first step of analysis.</p> <p>The above mentioned criteria can be found in the list of indicators mentioned in Annex 2 - Optional indicators in the EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs), namely: private sector loans; retail deposits, corporate deposits; interbank claims and/or liabilities; payment services provided to market participants or others; potential contagion through entities in conglomerate/shareholders.</p> <p>The evaluation performed based on the optional indicators (supervisory judgement), which includes quantitative and qualitative analyses, identified Exim Banca Românească S.A. (former Banca de Export-Import a României EXIMBANK S.A.) as having a systemic character based on the following criteria:</p> <ul style="list-style-type: none"> a) The contribution of the credit institution to finance the real economy, calculated by the volume of loans to nonfinancial companies and the substitution degree of lending to nonfinancial companies – the bank is systemic for all the analysed reference dates : T4 2022 (5,81%), T3 2022 (5,04%), T1 2023 (4,37%) and T2 2023 (5,22%), meaning that the nonfinancial companies that Exim Banca Românească credits have an increased importance in the Romanian market; b) The contribution of the credit institution to financial intermediation, calculated by the volume of deposits from households and nonfinancial companies – the bank is systemic for T1 2023 (2,96%) and T2 2023 (2,88%), meaning that the bank attracts a significant share of the deposits of HHs and NFCs; c) The activity of the credit institution on the interbank market and quantifying the contagion effects – the bank is systemic for the reference dates T4 2022, T1 2023 and T2 2023, meaning that the hypothetical disappearance of Exim Banca Românească from the interbank market would lead to at least one other institution in the banking sector having significant funding problems;

	<p>d) Assessment of systemically important institutions in the ReGIS payment system – the bank is systemic for the reference date T2 2023 (3,60%), meaning that the bank carries an important part of the payments through the national register (excluding other intermediaries than credit institutions, such as The National Bank or the Treasury);</p>
<p>4.4 Calibrating the O-SII buffer</p>	<p>The level of the O-SII buffer was set in accordance with the provisions of the Article 131 (5) and (8) of the <i>DIRECTIVE (EU) 2019/878 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (CRD V)</i>, stipulating the followings:</p> <p>(5) The competent authority or the designated authority may require each O-SII, on a consolidated, sub-consolidated or individual basis, as applicable, to maintain an O-SII buffer of up to 3% of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013, taking into account the criteria for the identification of the O-SII. That buffer shall consist of Common Equity Tier 1 capital;</p> <p>(8) Without prejudice to Article 133 and paragraph 5 of this Article, where an O-SII is a subsidiary of either a G-SII or an O-SII which is either an institution or a group headed by an EU parent institution, and subject to an O-SII buffer on a consolidated basis, the buffer that applies on an individual or sub-consolidated basis for the O-SII shall not exceed the lower of:</p> <p>(a) the sum of the higher of the G-SII or the O-SII buffer rate applicable to the group on a consolidated basis and 1% of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013; and</p> <p>(b) 3% of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013, or the rate the Commission has authorised to be applied to the group on a consolidated basis in accordance with paragraph 5a of this Article;</p> <p>Six out of the nine identified systemically important banks in Romania based on the financial reports for December 2022 are subsidiaries of foreign banks from other Member States (IT - UniCredit Bank, AT – Banca Comercială Română, Raiffeisen Bank, FR – BRD – Groupe Societe Generale, EL - Alpha Bank, HU – OTP Bank), which were identified as G-SIIs/O-SIIs and have to maintain an G-SII/O-SII buffer at consolidated level. Thus, according to the information published on the ESRB website, the G-SII/O-SII buffer applicable in 2023/2024 to the mother banks having subsidiaries operating in Romania, which were identified as O-SII-s in Romania, is the following:</p> <p>(i) G-SII buffer of 1% and O-SII buffer of 1% for Italian bank UniCredit SpA;</p> <p>(ii) O-SII buffer of 1,5% for Austrian banks Erste Group Bank and Raiffeisen Bank International AG;</p> <p>(iii) G-SII buffer of 1% and O-SII buffer of 1% for the French bank Société Generale Group;</p> <p>(iv) O-SII buffer of 2% in case of OTP Bank group in Hungary;</p> <p>(v) O-SII buffer of 1% for the Greek bank Alpha Bank.</p> <p>The level of the O-SII buffer applicable to the subsidiaries in Romania of the above mentioned banks takes into account the provisions of Article 131 (5) and (8) of CRD V.</p> <p>The level of the O-SII buffer was calibrated according to the systemic importance of each credit institution, i.e. according to the score calculated in the first evaluation stage (consisting in determining the mandatory indicators recommended by the European Banking Authority), taking into account the</p>

	<p>characteristics of the national banking sector and the structure of the systemic banks group. The range of values related to the scores obtained by banks in the calculation of the mandatory indicators recommended by EBA is divided into six buckets with an equal value of 500 basis points, to which the values of the O-SII buffer are assigned in ascending order depending on the systemic importance of the institutions, in percentage steps equal to 0.5 percentage points (from 0.5% to 3%), as follows:</p> <table border="1" data-bbox="571 416 1437 698"> <thead> <tr> <th>Buckets</th> <th>Limits (min, max) (basis points)</th> <th>O-SII buffer (% of total risk exposure amount)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>275 – 500</td> <td>0.5%</td> </tr> <tr> <td>2</td> <td>501 – 1000</td> <td>1%</td> </tr> <tr> <td>3</td> <td>1001 – 1500</td> <td>1.5%</td> </tr> <tr> <td>4</td> <td>1501- 2000</td> <td>2%</td> </tr> <tr> <td>5</td> <td>2001 – 2500</td> <td>2.5%</td> </tr> <tr> <td>6</td> <td>More than 2500</td> <td>3%</td> </tr> </tbody> </table> <p>The setting of intervals used in the calibration was based on the following principles: (i) ensuring a proportional length of the intervals, (ii) symmetrical division of the distribution of historical scores and (iii) setting consistent capital requirements between the two regulatory frameworks, CRD IV and CRD V.</p> <p>The calibration of the O-SII buffer is adapted to the characteristics of the national banking sector and ensures the correlation between the degree of systemic importance of the institution, on the one hand, and the additional capital requirement applicable to it, on the other hand, while having the following strengths:</p> <ul style="list-style-type: none"> (i) the proposed calibration ensures a high degree of predictability of the calibration methodology and objectivity in the interval design; (ii) the design of intervals took into account the historical data represented by the scores obtained by banks; (iii) given that the historical distribution contains more values at the bottom than at the top, the 30-30-30-10 division implies a more equitable correlation between the score obtained and the level of the attributable O-SII buffer; (iv) the presence of two intervals having values higher than the maximum historic score ensures that, in the context in which the process of concentration of the Romanian banking sector is expected to continue in the future, institutions that will increase their systemic footprint may have higher requirements than at the present moment; (v) in choosing the value of the O-SII buffer for each interval, account was also taken of ensuring an efficient transition between the structural buffer applicable under CRD IV and that of CRD V, given the current economic conditions characterized by high inflationary pressures, geopolitical instability, supply chain disruptions and limited fiscal space; (vi) the chosen calibration methodology represents the optimal option for the implementation of the three mentioned principles. 	Buckets	Limits (min, max) (basis points)	O-SII buffer (% of total risk exposure amount)	1	275 – 500	0.5%	2	501 – 1000	1%	3	1001 – 1500	1.5%	4	1501- 2000	2%	5	2001 – 2500	2.5%	6	More than 2500	3%
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<p>4.5 Effectiveness and proportionality of measure</p>	<p>The use of the O-SII buffer as a macroprudential instrument is effective in achieving the intermediate objective of "limiting the systemic impact of misaligned incentives with a view to reducing moral hazard", contributing to strengthening the resilience of large institutions which promotes the consolidation of the resilience of the financial system as a whole.</p> <p>The business decisions at an institution level have the objective to maximize profits, but negative externalities may occur for both the real economy and the banking sector as a whole. The objectives of imposing additional capital requirements for systemically important institutions consist of:</p>																					

	<p>(i) increasing their capacity to absorb losses, with positive effects on lowering the systemic risk generated by the size of institutions, i.e. the likelihood of facing financial difficulties or lower the severity of their potential negative impact. From this perspective, the O-SII buffer may prove effective;</p> <p>(ii) correcting the advantages that the entities considered "too big to fail" enjoy due to implicit government guarantees. Therefore, the O-SII buffer may be accounted as a proportional measure as it ensures an equal treatment for all banks in the domestic market.</p> <p>The macroprudential instrument consisting in higher capital requirements for the systemically important institutions (O-SII buffer) takes into account the structural dimension of systemic risk, i.e. the distribution of risk in the financial system. In the case of large institutions, the systemic risk arises from asset size and varies insignificantly over the economic cycle.</p> <p>In Romania, the group of systemically important institutions (i) holds 79.5% of total assets of the Romanian banking sector as of December 2022, (ii) provides the bulk of financial services for the real economy: 79.2% of the stock of loans, 79.1% of the deposits from households and companies, 64.1% of payment transactions, (iii) considering the complexity criterion, they trade 90% of derivatives in OTC markets, hold 77.3% of total cross-jurisdictional claims and 75.3% of total cross-jurisdictional liabilities of the banking sector, and (iv) considering the interconnectedness criterion, they provide 70.0% of the intra-financial system assets and use 73.2% of intra-financial system liabilities, issuing 98.1% of total debt securities outstanding.</p>
5. Sufficiency, consistency and non-overlap of the policy response	
5.1 Sufficiency of the policy response	<p>According to the <i>ESRB Recommendation of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy</i> (ESRB/2013/1), the O-SII buffer is the only macroprudential instrument which is recommended to be used by the national designated authorities in achieving the intermediate objective of "limiting the systemic impact of misaligned incentives with a view to reducing moral hazard".</p> <p>In Romania, starting with January 2022, the level of the O-SII buffer was calibrated according to the systemic importance of each credit institution. Therefore, there is an equitable correlation between the score obtained by the systemic banks and the level of the attributable O-SII buffer.</p> <p>In the light of these arguments, the policy response regarding implementation of the macroprudential instrument applicable to the systemic banks may be considered as being sufficient.</p>
5.2 Consistency of application of the policy response	<p>The O-SII buffer is used in achieving the intermediate objective of "limiting the systemic impact of misaligned incentives with a view to reducing moral hazard" in accordance with the provisions of <i>ESRB Recommendation of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy</i> (ESRB/2013/1). The use of the macroprudential instrument represented by the O-SII buffer will contribute to strengthening the resilience of large institutions which promotes the consolidation of the resilience of the financial system as a whole.</p> <p>In Romania, the O-SII buffer is implemented since 2016.</p>

<p>5.3 Non-overlap of the policy response</p>	<p>There is no other macroprudential policy instruments used to address the structural risk represented by the size of the systemic banks.</p> <p>Other macroprudential instruments address different identified risks, as follows:</p> <ul style="list-style-type: none"> - the countercyclical capital buffer (CCyB) – the buffer is designed to counter procyclicality 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, being intended to counterbalance the risks assumed in the banking activity specific to each institution (credit risk, operational risk, market risk, currency risk, legal risk etc.). The Pillar II requirements tackle risks from a microprudential perspective. - the systemic risk buffer (SyRB) – the buffer is intended to improve the quality of the balance sheet of the credit institutions in terms of curbing the NPL ratio and increasing the coverage ratio.
<p>6. Cross-border and cross-sector impact of the measure</p>	
<p>6.1 Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2³)</p>	<p>The higher capital requirements following the implementation of the O-SII buffer will increase the resilience of systemically important banks in Romania, which will positively affect both (i) the stability of the financial system and the real economy at a domestic level and (ii) the soundness of the international banking groups at consolidated level.</p> <p>With respect to the impact on the internal market, 92.6% of total exposures in the balance sheet of the Romanian banks as of Q2 2023 are of a domestic nature. Moreover, 99.7% 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 approximately 7% of the total loans in the balance sheet of the Romanian banking sector, most of them being loans granted to other financial institutions (only 0.19% of total loans are cross border loans granted to household and non-financial companies). Moreover, these figures becomes insignificant when compared to the European banking sector (according the latest available figures – Consolidated Banking Data - the share of the Romanian banking sector in the total assets of the Euro Zone banking sector was only 0.15% as of Q1 2023). 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.</p> <p>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 June 2023 the contribution of foreign entities to the domestic group capital ratio was 2.42% per total banking groups</p> <p>In addition, we have to mention that six out of nine systemically important banks in Romania are subsidiaries of large EU foreign banks, that are G-SIIs or O-SIIs in their home countries and therefore they are subject to G-SII/O-SII buffers. By implementing the O-SII buffer at the level of the subsidiaries in Romania, a level playing field is ensured both domestically and at the EU level. In the case of subsidiaries of foreign banks, the level of O-SII was set considering the provisions of CRD V and was correlated with the capital requirements applicable to the mother banks in the home countries.</p> <p>As the capitalization of large Romanian banks is adequate, the implementation of the O-SII buffer will not require new capital contributions from the shareholders. Even though the O-SII buffer is in place, the banks will still have enough capital reserves to be able to resume lending to the real economy in a sustainable manner.</p>

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>6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>The scope for leakages and regulatory arbitrage is expected to be limited as:</p> <p>(i) the capital requirements consisting in the O-SII buffer should be maintained at the highest level of consolidation (i.e. at consolidated, sub-consolidated or individual level, as applicable) therefore preventing the shifts of activities within groups;</p> <p>(ii) the bulk of banking activity concentrates on domestic counterparties;</p> <p>The capitalization of large banks is adequate; hence the institutions are not bound to reduce or transfer their activities.</p>																							
<p align="center">7. Combinations and interactions with other measures</p>																								
<p>7.1 Combinations between G-SII and O-SII buffers (Article 131.14)</p>	<p>The NCMO has not identified any institutions as G-SIIs within its jurisdiction.</p> <table border="1" data-bbox="571 555 1439 703"> <thead> <tr> <th>Name of institution</th> <th>O-SII buffer</th> <th>G-SII buffer</th> </tr> </thead> <tbody> <tr> <td></td> <td align="center">%</td> <td align="center">%</td> </tr> <tr> <td></td> <td align="center">%</td> <td align="center">%</td> </tr> <tr> <td></td> <td align="center">%</td> <td align="center">%</td> </tr> </tbody> </table>	Name of institution	O-SII buffer	G-SII buffer		%	%		%	%		%	%											
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<p>7.2 Combinations with systemic risk buffers (SyRBs) (Article 131.15 CRD)</p>	<p>Currently, a systemic risk buffer (SyRB) is applicable to all Romanian credit institutions, in order to strengthen the resistance to shocks of the financial infrastructure. Therefore, all the systemically important institutions are subject to a systemic risk buffer requirement.</p> <p>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 of NPL with provisions reported by each individual credit institution, in accordance with the methodology established in the implementation process of the SyRB:</p> <table border="1" data-bbox="571 1057 1439 1294"> <thead> <tr> <th>Non-performing loans ratio</th> <th>Coverage ratio of NPL with provisions</th> <th>Buffer rate (% of CET1 capital applied to total RWA)</th> </tr> </thead> <tbody> <tr> <td align="center">< 5%</td> <td align="center">> 55%</td> <td align="center">0%</td> </tr> <tr> <td align="center">> 5%</td> <td align="center">> 55%</td> <td align="center">1%</td> </tr> <tr> <td align="center">< 5%</td> <td align="center">< 55%</td> <td align="center">1%</td> </tr> <tr> <td align="center">> 5%</td> <td align="center">< 55%</td> <td align="center">2%</td> </tr> </tbody> </table> <p>The rationale behind these two indicators, the NPL and coverage ratio, lies on the need to support the credit risk management, since an increase in the stock of NPLs can have considerable negative effects on the performance of the banking activities.</p> <p>The SyRB is applicable to all exposures. Both O-SII buffer and SyRB apply to highest level of consolidation. Once with the entrance into force into the national legislation of CRD V's provisions, the rates of the sum of the O-SII buffer and SyRB is applicable to systemically important banks.</p> <p>Given that the highest O-SII buffer is 2% and the highest SyRB level is 2%, the sum between the SyRB and O-SII buffer rate is below 5% for all credit institutions identified as systemically important.</p> <p>For Q1-Q2 2023 the level of SyRB and O-SII buffer stand as follows:</p> <table border="1" data-bbox="571 1787 1423 1953"> <thead> <tr> <th>Name of institution</th> <th>SyRB rate</th> <th>SyRB application level</th> <th>Sum of G-SII/O-SII and SyRB rates</th> </tr> </thead> <tbody> <tr> <td>Banca Transilvania S.A.</td> <td align="center">0%</td> <td align="center">Consolidated</td> <td align="center">2%</td> </tr> </tbody> </table>	Non-performing loans ratio	Coverage ratio of NPL with provisions	Buffer rate (% of CET1 capital applied to total RWA)	< 5%	> 55%	0%	> 5%	> 55%	1%	< 5%	< 55%	1%	> 5%	< 55%	2%	Name of institution	SyRB rate	SyRB application level	Sum of G-SII/O-SII and SyRB rates	Banca Transilvania S.A.	0%	Consolidated	2%
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	Banca Comercială Română S.A.	0%	Sub-consolidated	1.5%
	BRD - Groupe Société Générale S.A.	0%	Sub-consolidated	1.5%
	Raiffeisen Bank S.A.	0%	Sub-consolidated	1%
	OTP Bank Romania S.A.	1%	Sub-consolidated	1.5%
	CEC Bank S.A.	1%	Individual	2%
	Alpha Bank Romania S.A.	1%	Individual	1.5%
	Exim Banca Românească S.A. (former Banca de Export-Import a României EXIMBANK S.A.)	0%	Consolidated	0.5%
7.3 O-SII requirement for a subsidiary (Article 131.8 CRD)	The cap for the Romanian credit institutions subsidiaries of EU parent institutions subject to a G-SII or O-SII buffer on a consolidated basis does not prevent the implementation of a higher O-SII buffer based on the domestic buffer setting methodology, in accordance with the provisions of the Article 131(8) of CRD V.			
	Name of O-SII subsidiary	Name of the EU parent of the O-SII subsidiary	Buffer applicable to O-SII EU parent	
	UniCredit Bank S.A.	UniCredit S.p.A.	1%	
	Banca Comercială Română S.A.	Erste Group Bank AG	1.5%	
	BRD - Groupe Société Générale S.A.	Société Générale	1%	
	Raiffeisen Bank S.A.	Raiffeisen Bank International AG	1.5%	
	OTP Bank Romania S.A.	OTP Bank Nyrt.	2%	
	Alpha Bank Romania S.A.	Alpha Bank Services & Holdings S.A.	1%	
8. Miscellaneous				

8.1 Contact person(s)/mailbox at notifying authority	Florian Neagu, National Committee for Macroprudential Oversight Secretariat, deputy director of the Financial Stability Department in the National Bank of Romania Phone: +40 311321101 E-mail: florian.neagu@bnro.ro, secretariat.cnsmro@bnro.ro
8.2 Any other relevant information	N/A
8.3 Date of the notification	20/10/2023