



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 2021, which were updated with the latest available information (i.e. the financial reports for 31 March 2022 and 30 June 2022) that reflects the recent structural changes in the national banking system, as follows:</p> <ol style="list-style-type: none"> 1) <u>The takeover of IDEA Bank S.A. by Banca Transilvania S.A.:</u> In October 2021 Banca Transilvania S.A. has completed the acquisition of the entire package of shares held by the Polish group Getin Holding in Idea::Bank, both by qualifying direct and indirect participations. According to the financial consolidated statements prepared by Banca Transilvania for 31 December 2021,

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>31 March 2022 and 30 June 2022, following the takeover of IDEA Bank S.A., Banca Transilvania obtained scores above the minimum limit of 275 basis points from which the institutions are automatically designated as systemically important (1616 b.p. as of 31 December 2021, 1656 b.p. as of 31 March 2022 and 1679 b.p. as of 30 June 2022);</p> <p>The NCMO evaluation observed the best practices recommended by EBA, i.e. the 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) – 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 of the banking system, to inform supervisory judgement or to account for year-end reference dates that may be of relevance to the jurisdiction”.</p> <table border="1" data-bbox="571 741 1401 1585"> <thead> <tr> <th>Name of institution</th> <th>LEI</th> <th>Consolidation level</th> </tr> </thead> <tbody> <tr> <td>Banca Transilvania S.A.</td> <td>549300RG3H390KE L8896</td> <td>Consolidated level</td> </tr> <tr> <td>UniCredit Bank S.A.</td> <td>5493003BDYD5VPG UQS04</td> <td>Sub-consolidated level</td> </tr> <tr> <td>Banca Comercială Română S.A.</td> <td>549300ORLU6LN5Y D8X90</td> <td>Sub-consolidated level</td> </tr> <tr> <td>BRD - Groupe Société Générale S.A.</td> <td>5493008QRHH0XCL J4238</td> <td>Sub-consolidated level</td> </tr> <tr> <td>Raiffeisen Bank S.A.</td> <td>549300RFKNCOX56 F8591</td> <td>Sub-consolidated level</td> </tr> <tr> <td>OTP Bank Romania S.A.</td> <td>5299003TM0P7W8D NUF61</td> <td>Sub-consolidated level</td> </tr> <tr> <td>CEC Bank S.A.</td> <td>2138008AVF4W7F MW8W87</td> <td>Individual level</td> </tr> <tr> <td>Alpha Bank Romania S.A.</td> <td>529900TKT32Z5LP7 XF90</td> <td>Individual level</td> </tr> <tr> <td>Banca de Export-Import a României EXIMBANK S.A.</td> <td>635400F6HLXKXNJ JX605</td> <td>Consolidated level</td> </tr> </tbody> </table>	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 Société Générale 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	Banca de Export-Import a României EXIMBANK S.A.	635400F6HLXKXNJ JX605	Consolidated level
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<p>2.1b Changes to the list of institutions concerned</p>	<p>Compared to the results of the previous evaluation (carried out in 2021 on the basis of data for 30 June 2021, which were used to take decisions on the level of the O-SII buffer applicable during 2022), please note that there did not occur any changes to the list of systematically important institutions.</p>																														
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3.2 Timing for publication	The intended date of publication of the notified measure is November 2022.																														
3.3 Disclosure	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 2021, (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 1 st of January 2023 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.																														
3.4 Timing for application	01/01/2023																														
3.5 Phasing in	<p>There is no intended phase-in of the measure. The buffer levels described in section 2.2 will fully enter into force starting from January 2023.</p> <table border="1" data-bbox="571 801 1444 913"> <thead> <tr> <th>Name of institution</th> <th>Date1</th> <th>Date2</th> <th>Date3</th> <th>Date4</th> <th>Date5</th> </tr> </thead> <tbody> <tr> <td></td> <td>%</td> <td>%</td> <td>%</td> <td>%</td> <td>%</td> </tr> <tr> <td></td> <td>%</td> <td>%</td> <td>%</td> <td>%</td> <td>%</td> </tr> </tbody> </table>	Name of institution	Date1	Date2	Date3	Date4	Date5		%	%	%	%	%		%	%	%	%	%												
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3.6 Review of the measure	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 2023. The next revision of the measure will be made in 2023 and will be applicable during 2024.																														
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<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"> <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 system 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>	Criterion	Indicator	Value	Size	Total assets	25%	Importance (including substitutability/financial system 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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For all the evaluations performed in 2015 - 2022, the National Bank of Romania, as competent authority, used the threshold of 275 basis points, based on discretions provided 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)*. 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.

All the systemically important institutions listed in the Section 2.1a. 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)*.

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. (including IDEA Bank S.A.) – 1616 basis points
UniCredit Bank S.A. – 1290 basis points
Banca Comercială Română S.A. – 1253 basis points
BRD - Groupe Société Générale S.A. – 1165 basis points
ING Bank N.V., Amsterdam – Bucharest branch – 991 basis points
RAIFFEISEN BANK S.A. – 907 basis points
OTP BANK ROMANIA S.A. – 458 basis points
C.E.C. Bank S.A. – 433 basis points
ALPHA BANK ROMANIA S.A. – 351 basis points
Banca de Export-Import a României EXIMBANK S.A. (including Banca Românească S.A.) – 289 basis points
Citibank Europe plc, Dublin - Romania branch – 267 basis points
GARANTI BANK S.A. – 151 basis points
BANCA COMERCIALĂ INTESA SANPAOLO ROMANIA S.A. – 131 basis points
LIBRA INTERNET BANK S.A. – 109 basis points
VISTA BANK S.A. (including Crédit Agricole Bank Romania S.A.) – 100 basis points
BNP Parisbas Paris – Bucharest branch – 93 basis points
FIRST BANK S.A. – 85 basis points
Credit Europe Bank S.A. – 59 basis points
Patria Bank S.A. – 47 basis points
ProCredit Bank S.A. – 46 basis points
BNP Paribas Personal Finance SA Paris - Bucharest branch – 39 basis points
PORSCHE BANK ROMANIA S.A. – 28 basis points
Alior Bank S.A. Varşovia – 18 basis points
CREDITCOOP – 18 basis points
BANQUE BANORIENT FRANCE S.A. - Romania branch – 17 basis points
TBI Bank EAD Sofia - Bucharest branch – 15 basis points

	<p>Tech Ventures Bank – 11 basis points BANCA ROMÂNĂ DE CREDITE SI INVESTIȚII S.A. – 7 basis points Bank of China - Bucharest branch – 1 basis points Hoist Finance AB (publ) Stockholm - Bucharest branch – 0 basis points</p> <p>No credit institution was excluded from the evaluation process. The evaluation comprised only individual (solo) credit institutions and banking groups. 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>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, did not identify systemically important institutions in addition to those already designated as systemic in the first step of calculating the mandatory indicators recommended by the EBA. Consistency of results 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 (mandatory indicators).</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> <ul style="list-style-type: none"> (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; (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:

(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

(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;

Six out of the nine identified systemically important banks in Romania based on the financial reports for December 2021 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 to the mother banks having subsidiaries operating in Romania, which were identified as O-SII-s in Romania, is the following:

- (i) G-SII buffer of 1% and O-SII buffer of 1% for Italian bank UniCredit SpA;
- (ii) O-SII buffer of 1% for Austrian banks Erste Group Bank and Raiffeisen Bank International AG;
- (iii) G-SII buffer of 1% and O-SII buffer of 1% for the French bank Société Générale Group;
- (iv) O-SII buffer of 1% in case of OTP Bank group in Hungary;
- (v) O-SII buffer of 1% for the Greek bank Alpha Bank.

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.

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 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:

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%

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>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.
<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> <ul style="list-style-type: none"> (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; (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>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 2021, (ii) provides the bulk of financial services for the real economy: 78.4% of the stock of loans, 79.1% of the deposits from households and companies, 60% of payment transactions, (iii) considering the complexity criterion, they trade 91% of derivatives in OTC markets, hold 72.1% of total cross-jurisdictional claims and 75.1% of total cross-jurisdictional liabilities of the banking sector, and (iv) considering the interconnectedness criterion, they provide 70.5% of the intra-</p>

	financial system assets and use 70.0% of intra-financial system liabilities, issuing 97.2% of total debt securities outstanding.
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	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.
5.3 Non-overlap of the policy response	<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.
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)	<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, 94.25% of total exposures in the balance sheet of the Romanian banks as of Q2 2022 are of a domestic nature. Moreover, 99.72% of exposures to household and non-financial companies come</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>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 5.69% 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 0.13% as of Q1 2022). 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 December 2021 the contribution of foreign entities to the domestic group capital ratio was 1.9% 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>												
<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> <ul style="list-style-type: none"> (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; (ii) the bulk of banking activity concentrates on domestic counterparties; <p>The capitalization of large banks is adequate; hence the institutions are not bound to reduce or transfer their activities.</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>The NCMO has not identified any institutions as G-SIIs within its jurisdiction.</p> <table border="1" data-bbox="571 1420 1445 1574"> <thead> <tr> <th data-bbox="571 1420 927 1458">Name of institution</th> <th data-bbox="927 1420 1211 1458">O-SII buffer</th> <th data-bbox="1211 1420 1445 1458">G-SII buffer</th> </tr> </thead> <tbody> <tr> <td data-bbox="571 1458 927 1496"></td> <td data-bbox="927 1458 1211 1496" style="text-align: center;">%</td> <td data-bbox="1211 1458 1445 1496" style="text-align: center;">%</td> </tr> <tr> <td data-bbox="571 1496 927 1534"></td> <td data-bbox="927 1496 1211 1534" style="text-align: center;">%</td> <td data-bbox="1211 1496 1445 1534" style="text-align: center;">%</td> </tr> <tr> <td data-bbox="571 1534 927 1574"></td> <td data-bbox="927 1534 1211 1574" style="text-align: center;">%</td> <td data-bbox="1211 1534 1445 1574" style="text-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 systematically 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 1917 1445 2007"> <thead> <tr> <th data-bbox="571 1917 863 2007">Non-performing loans ratio</th> <th data-bbox="863 1917 1155 2007">Coverage ratio of NPL with provisions</th> <th data-bbox="1155 1917 1445 2007">Buffer rate (% of CET1 capital applied to total RWA)</th> </tr> </thead> <tbody> <tr> <td data-bbox="571 2007 863 2022"></td> <td data-bbox="863 2007 1155 2022"></td> <td data-bbox="1155 2007 1445 2022"></td> </tr> </tbody> </table>	Non-performing loans ratio	Coverage ratio of NPL with provisions	Buffer rate (% of CET1 capital applied to total RWA)									
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< 5%	> 55%	0%
> 5%	> 55%	1%
< 5%	< 55%	1%
> 5%	< 55%	2%

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.

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.

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 systematically important.

For Q1-Q2 2023 the level of SyRB and O-SII buffer stand as follows:

Name of institution	SyRB rate	SyRB application level	Sum of G-SII/O-SII and SyRB rates
Banca Transilvania S.A.	0%	Consolidated	2%
UniCredit Bank S.A.	0%	Sub-consolidated	1.5%
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.	0%	Sub-consolidated	0.5%
CEC Bank S.A.	1%	Individual	1.5%
Alpha Bank Romania S.A.	1%	Individual	1.5%
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)

During 2023, 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.																					
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8. Miscellaneous																						
8.1 Contact person(s)/mailbox at notifying authority	Eugen Rădulescu, National Committee for Macroprudential Oversight Secretariat, director of the Financial Stability Department in the National Bank of Romania Phone: +40 311321101 E-mail: eugen.radulescu@bnro.ro, secretariat.cnsmro@bnro.ro																					
8.2 Any other relevant information	N/A																					
8.3 Date of the notification	20/10/2022																					