Notification template for Article 131 CRD – Global Systemically Important Institutions (G-SIIs)

Please send this template to

- notifications@esrb.europa.eu when notifying the ESRB;
- macropru.notifications@ecb.europa.eu when notifying the ECB;
- notifications@eba.europa.eu when notifying the EBA.

Emailing this template to the above-mentioned addresses constitutes an official notification, no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows electronically copying the information.

1. Notifying national authority	
1.1 Name of the notifying authority	**Banco de España (BdE)**
2. Description of the measure	
2.1 Concerned institution(s)	**Banco Santander S.A. (LEI code: 5493006QMFDDMYWIAM13; SSM code: ESSAN)**
2.2 Level of the buffer applied	What is the level of the buffer (in %) applied to the institution(s)? **1.0% in 2020.**
2.3 Names of subsidiaries	If any of the concerned institutions is a parent institution, please name the subsidiaries of the institution notified as O-SIIs (please give name and LEI code). **Three subsidiaries of the concerned institution were notified in 2017 as O-SIIs (for 2018) by the relevant national authorities:** • **Bank Zachodni WBK SA (LEI code: 259400LGXW3K0GDAG361 - Poland)** • **Santander Totta – SGPS (LEI code: 5493005RLLC1P7VSVC58 - Portugal)** • **Santander UK Plc (LEI code: PTCQB104N23FMNK2RZ28 - United Kingdom)**
3. Timing of the measure	
3.1 Timing of the Decision	What is the date of the official decision? For SSM countries when notifying the ECB: provide the date when the decision referred to in Article 5 of the SSMR shall be taken. **20 November 2018.**
3.2 Timing of the Publication	What is the date of publication of the notified measure? **Shortly after the official decision date (and no later than 30 November).**
3.3 Disclosure	Information about the communication strategy of the notified measure to the market. **As in previous years, the institution designated as G-SII and its respective capital buffer requirement will be announced via press statement on the BdE website. The information will be accessible under the following links:**

	EN: https://www.bde.es/bde/en/areas/estabilidad/politica-macropr/ **ES: https://www.bde.es/bde/es/areas/estabilidad/politica-macropr/**
3.4 Timing of Application	What is the intended date of activation (i.e. as of which date shall the measure be applicable)? **1 January 2020 (applicable until 31 December 2020).**
3.5 Phasing in	What is the intended timeline for the phase-in of the measure? **In accordance with the Article 162(5) of the Directive 2013/36/EU (CRD IV), and the Spanish legislation implementing this provision, the phase-in period of G-SII buffer requirements concludes on 31 December 2018. The G-SII buffer rate of 1.0% for Banco Santander, S.A. would therefore be fully applicable in 2020.**
4. Reason for activation of the G-SII buffer	
4.1 Indicators used for designation of the G-SII **(Article 131.2)**	Please provide information on the following categories of indicators: a. size of the group; b. interconnectedness of the group, with the rest of the financial system; c. substitutability of the services or the financial infrastructure provided by the group; d. complexity of the group; e. cross border activity of the group, including cross border activity between Member States and between a Member State and third countries **The G-SII designation is based on the outcome the G-SIB assessment exercise conducted by the Basel Committee on Banking Supervision (BCBS) in 2018, based on end-2017 data:**

G-SII institution	Overall score	Categories of indicators				
		Size	Interconn.	Sub/Infra	Complex.	Cross-juris.
Banco Santander, S.A.	*209*	205	188	77	63	510

Note: All figures in basis points.

4.2 Scores and buckets **(Article 131.2 and 131.9)**	Please provide information on: a. which overall score and bucket is attributed to each G-SII **209 bp and Bucket 1 (1.0%).** b. which score is attributed to each category **See section 4.1 above.** c. what qualitative supervisory judgement has been taken into account? **None.**
5. Cross-border and cross-sector impact of the measure	
5.1 Assessment of cross-border effects and the likely impact on the internal market	Assessment of the cross-border effects of the implementation of the measure.

(Recommendation ESRB/2015/2)	a. Assessment of the spillover channels operating via risk adjustment and regulatory arbitrage. The relevant indicators provided in Chapter 11 of the ESRB Handbook on Operationalising Macro-prudential Policy in the Banking Sector[1] can be used. b. Assessment of: o cross-border effects (leakages and regulatory arbitrage) of the implementation of measure in your jurisdiction (inward spillovers); and o cross-border effects on other Member States and on the Single Market of measure (outward spillovers). **The G-SII buffer requirement is intended to mitigate negative externalities, reduce potential moral hazard incentives and implicit subsidies (in terms of funding costs) and, ultimately, increase the designated institution's resilience.** **Supported by empirical evidence and the experience gained since 2016 with the use of this macroprudential instrument, BdE's internal assessment of the G-SII buffer requirement suggests limited spillovers within the EU (particularly vis-à-vis those Member States hosting the institution's main subsidiaries). Likewise, other types of potential cross-border effects of the proposed measure are, a priori, expected to be contained. BdE remains committed to monitor developments in this area over the coming year in coordination with the relevant EU bodies and national authorities.**
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	Referring to your country's specific characteristics, what is the scope for "leakages and regulatory arbitrage" in your own jurisdiction (i.e., circumvention of the measure/leakages to other parts of the financial sector)? **The scope for potential leakages and regulatory arbitrage/circumvention is deemed to be very narrow, particularly on account of two key mitigating factors: (i) the macroprudential measure is directly targeted at the largest Spanish banking group (which accounts for around 40% of total assets of the country's banking sector), and (ii) the Spanish financial system is largely a bank-based one.**
6. Combinations and interactions with other measures	
6.1 combinations between G-SII and O-SII buffers (Article 131.14)	In case both G-SII and O-SII criteria applied to the same institution at the consolidated level, which of the two buffers is the highest? **In 2019 the applicable SII buffer for Banco Santander, S.A. would be 1.0% (as a result of the two buffer rates being set at the same level).** **As regards the applicable SII buffer in 2020, this will be contingent on the O-SII decision for that year (to be taken by the end of November 2019).**
6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	Are any of the institutions subject to a systemic risk buffer? **No.** If yes, please provide the following information:

[1] Available on the ESRB's website at www.esrb.europa.eu.

	a. What is the level of the systemic risk buffer (in %) applied to the concerned institution b. Is the systemic risk buffer applied to all exposures located in your Member State only? c. Is the systemic risk buffer applied at the same consolidation level as the O-SII buffer? **Not applicable.**
6.3 Interaction with other measures	How does the buffer requirement interact with other measures addressing the same risk (e.g. with other supervisory measures)? **Not applicable. The proposed buffer requirement is not part of a combination of macroprudential measures aimed to address the same risk. Besides, the countercyclical capital cuffer rate remains, at the time of this notification, at 0% for credit exposures located in Spain.**

7. Miscellaneous	
7.1 Contact person(s) at notifying authority	Mailbox at the Macroprudential Analysis and Policy Unit of BdE: macropru@bde.es
7.2 Any other relevant information	**This notification was submitted on 19 October 2018.**