



Notification template for Article 131 CRD – Other Systemically Important Institutions (O-SII)

Please send this template to

- notifications@esrb.europa.eu when notifying the ESRB;
- macropru.notifications@ecb.europa.eu when notifying the ECB;
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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 Portugal																																													
2. Description of the measure																																														
2.1 Concerned institution or group of institutions	<p>On which institution(s) is the measure applied (name and LEI code)?</p> <p>In accordance with a decision taken by the Board of Directors, the following institutions have been identified as O-SIIs in Portugal based on the scores using data as of end-2018.</p> <table border="1"> <thead> <tr> <th>Institutions</th> <th>LEI code</th> </tr> </thead> <tbody> <tr> <td>Caixa Geral de Depósitos, S.A.</td> <td>TO822O0VT80V06K0FH57</td> </tr> <tr> <td>Banco Comercial Português, S.A.</td> <td>JU1U6S0DG9YLT7N8ZV32</td> </tr> <tr> <td>LSF Nani Investments S.à.r.l.</td> <td>222100K6QL2V4MLHWQ08</td> </tr> <tr> <td>Santander Totta, SGPS, S.A.</td> <td>5493005RLLC1P7VSVCS8</td> </tr> <tr> <td>Banco BPI, S.A.</td> <td>3DM5DPGI3W6OU6GJ4N92</td> </tr> <tr> <td>Caixa Económica Montepio Geral, Caixa Económica Bancária, S.A.</td> <td>2138004FIUXU3B2MR537</td> </tr> </tbody> </table> <p>The corresponding O-SII buffer requirement is applied at the highest level of consolidation to the institutions listed above.</p>	Institutions	LEI code	Caixa Geral de Depósitos, S.A.	TO822O0VT80V06K0FH57	Banco Comercial Português, S.A.	JU1U6S0DG9YLT7N8ZV32	LSF Nani Investments S.à.r.l.	222100K6QL2V4MLHWQ08	Santander Totta, SGPS, S.A.	5493005RLLC1P7VSVCS8	Banco BPI, S.A.	3DM5DPGI3W6OU6GJ4N92	Caixa Económica Montepio Geral, Caixa Económica Bancária, S.A.	2138004FIUXU3B2MR537																															
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2.2 Level of the buffer applied	<p>What is the level of the buffer (in %) applied to the institution(s)?</p> <p>In accordance with a preliminary decision taken by the Board of Directors, the following O-SII's buffers rates apply:</p> <table border="1"> <thead> <tr> <th rowspan="2">O-SIIs institutions</th> <th rowspan="2">Consolidation level</th> <th rowspan="2">Fully phased-in buffer</th> <th colspan="3">Buffer required</th> </tr> <tr> <th>1 January 2020</th> <th>1 January 2021</th> <th>1 January 2022</th> </tr> </thead> <tbody> <tr> <td>Caixa Geral de Depósitos, S.A.</td> <td>Consolidated</td> <td>1.00%</td> <td>0.75%</td> <td>1.00%</td> <td>1.00%</td> </tr> <tr> <td>Banco Comercial Português, S.A.</td> <td>Consolidated</td> <td>1.00%</td> <td>0.56%</td> <td>0.75%</td> <td>1.00%</td> </tr> <tr> <td>LSF Nani Investments S.à.r.l.</td> <td>Consolidated</td> <td>0.50%</td> <td>0.38%</td> <td>0.50%</td> <td>0.50%</td> </tr> <tr> <td>Santander Totta, SGPS, S.A.</td> <td>Consolidated</td> <td>0.50%</td> <td>0.38%</td> <td>0.50%</td> <td>0.50%</td> </tr> <tr> <td>Banco BPI, S.A.</td> <td>Consolidated</td> <td>0.50%</td> <td>0.38%</td> <td>0.50%</td> <td>0.50%</td> </tr> <tr> <td>Caixa Económica Montepio Geral, Caixa Económica Bancária, S.A.</td> <td>Consolidated</td> <td>0.25%</td> <td>0.19%</td> <td>0.25%</td> <td>0.25%</td> </tr> </tbody> </table>	O-SIIs institutions	Consolidation level	Fully phased-in buffer	Buffer required			1 January 2020	1 January 2021	1 January 2022	Caixa Geral de Depósitos, S.A.	Consolidated	1.00%	0.75%	1.00%	1.00%	Banco Comercial Português, S.A.	Consolidated	1.00%	0.56%	0.75%	1.00%	LSF Nani Investments S.à.r.l.	Consolidated	0.50%	0.38%	0.50%	0.50%	Santander Totta, SGPS, S.A.	Consolidated	0.50%	0.38%	0.50%	0.50%	Banco BPI, S.A.	Consolidated	0.50%	0.38%	0.50%	0.50%	Caixa Económica Montepio Geral, Caixa Económica Bancária, S.A.	Consolidated	0.25%	0.19%	0.25%	0.25%
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2.3 Name of the EU ultimate parent institution	<p>Please provide the name and the LEI code of the EU ultimate parent institution of the group of each of the concerned institutions, in case the EU ultimate parent institution is not the concerned institution itself.</p> <table border="1" data-bbox="483 320 1291 405"> <thead> <tr> <th>Concerned institution</th> <th>Ultimate parent institution</th> <th>LEI code ultimate parent institution</th> </tr> </thead> <tbody> <tr> <td>Santander Totta, SGPS, S.A.</td> <td>Banco Santander S.A.</td> <td>5493006QMFDDMYWIAM13</td> </tr> <tr> <td>Banco BPI, S.A.</td> <td>Caixabank, S.A.</td> <td>7CUNS533WID6K7DGF187</td> </tr> </tbody> </table>	Concerned institution	Ultimate parent institution	LEI code ultimate parent institution	Santander Totta, SGPS, S.A.	Banco Santander S.A.	5493006QMFDDMYWIAM13	Banco BPI, S.A.	Caixabank, S.A.	7CUNS533WID6K7DGF187
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2.4 Names of subsidiaries	<p>If any of the concerned institutions is a parent institution and the buffer is applied on a (sub) consolidated level, please name the subsidiaries of the institution that are notified as O-SIIs (please give name and LEI code).</p> <p>Not applicable.</p>									
3. Timing of the measure										
3.1 Timing of the Decision	<p>What is the date of the official decision? <u>For SSM countries when notifying the ECB:</u> provide the date when the decision referred to in Article 5 of the SSMR shall be taken.</p> <p>The final decision was taken on 22 of October 2019.</p>									
3.2 Timing of the Publication	<p>What is the date of publication of the notified measure?</p> <p>The date for publication on Banco de Portugal’s website of the final decision on the O-SII capital buffers is 29 of November 2019.</p>									
3.3 Disclosure	<p>Information about the communication strategy of the notified measure to the market.</p> <p>Banco de Portugal will publish, after the close of the market, on its website (https://www.bportugal.pt/en/page/o-sii-capital-buffer) the list of institutions designated as O-SIIs and their corresponding O-SII buffer requirement on 29 of November 2019. These information will be available in Portuguese and in English. In addition, it will communicate its decision to each institution designated as O-SII.</p>									
3.4 Timing of Application	<p>What is the intended date of activation (i.e. as of which date shall the measure be applicable)?</p> <p>The O-SII buffer requirement is in place since 1 of January 2018 and is applicable according to the phase-in period established in 2017 (for more details on the phase-in period see 3.5).</p>									
3.5 Phasing in	<p>What is the intended timeline for the phase-in of the measure?</p> <p>The O-SII buffer requirement in Portugal was introduced with a four-year phase-in period as follows:</p> <ul style="list-style-type: none"> 1 January 2018: 25% of the fully loaded O-SII buffer 1 January 2019: 50% of the fully loaded O-SII buffer 1 January 2020: 75% of the fully loaded O-SII buffer 1 January 2021: 100% of the fully loaded O-SII buffer <p>Accordingly, the fully loaded O-SII buffer requirements apply as of 1 January 2021.</p> <p>In 2019, the phase-in period for Banco Comercial Português, SA has been extended to 1 of January 2022 in accordance with the upward revision of 0.25 percentage points of the corresponding O-SII buffer rate (fully loaded buffer rate is 1.00% on 1 January 2022).</p>									

<p>3.6 Review of the measure</p>	<p>When will the measure be reviewed (Article 131(6) and 131(12) specify that the buffer, the identification of O-SIIs and the allocation into subcategories must be reviewed at least annually)?</p> <p>The list of O-SII and corresponding O-SII buffer requirements will be reviewed at least annually, as required under CRD IV. Accordingly, the next review exercise is foreseen to be concluded by 30 November 2020, unless a significant restructuring process takes place, namely through merger and acquisitions.</p>														
<p>4. Reason for O-SII identification and activation of the O-SII buffer</p>															
<p>4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)</p>	<p>Please see the attached Excel file to this notification for information on name, overall scores, category scores, and indicator values of the identified O-SIIs.</p> <p>The identification exercise has been conducted on the basis of end-2018 data considering all institutions at their highest level of consolidation for supervision purposes. The methodology followed by Banco de Portugal is available at https://www.bportugal.pt/sites/default/files/anexos/doc_osii_en_0.pdf</p> <table border="1" data-bbox="472 831 1342 1070"> <thead> <tr> <th>O-SII</th> <th>Scores</th> </tr> </thead> <tbody> <tr> <td>Caixa Geral de Depósitos, S.A.</td> <td>2416</td> </tr> <tr> <td>Banco Comercial Português, S.A.</td> <td>2141</td> </tr> <tr> <td>Santander Totta, SGPS, S.A.</td> <td>1292</td> </tr> <tr> <td>LSF Nani Investments S.à.r.l.</td> <td>1223</td> </tr> <tr> <td>Banco BPI, S.A.</td> <td>838</td> </tr> <tr> <td>Caixa Económica Montepio Geral, Caixa Económica Bancária, S.A.</td> <td>407</td> </tr> </tbody> </table>	O-SII	Scores	Caixa Geral de Depósitos, S.A.	2416	Banco Comercial Português, S.A.	2141	Santander Totta, SGPS, S.A.	1292	LSF Nani Investments S.à.r.l.	1223	Banco BPI, S.A.	838	Caixa Económica Montepio Geral, Caixa Económica Bancária, S.A.	407
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<p>4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</p>	<p>The scoring methodology set out in EBA guidelines has been applied to designate institutions as O-SII in Portugal. However, Banco de Portugal has chosen to exercise its option of supervisory judgement to capture particular features of the Portuguese banking system, namely the presence of only a few institutions in the Portuguese islands whose financial intermediation activity is not easily replaced in case of a failure or distress. For that purpose, Banco de Portugal has added two indicators from the list made available by EBA within the importance criterion. Institutions with a score of at least 350 basis points are designated as O-SII.</p> <p>In order to compute the scores, the following indicators were used:</p> <ul style="list-style-type: none"> - Size: Total assets; - Importance: value of domestic payments transactions, private sector deposits from depositors in the EU and private sector loans to recipients in the EU. The additional indicators used are: geographical breakdown of deposits and loans (Azores and Madeira); - Complexity: value of OTC derivatives (notional), cross-jurisdictional liabilities, cross-jurisdictional claims; - Interconnectedness: intra-financial system liabilities, intra-financial system assets, debt securities outstanding. <p>Detailed information on the scores of the designated O-SII and on the institutions considered in the identification exercise is provided in the attached Excel file to this template. However, no institution has been designated as O-SII based on the application of supervisory judgement.</p> <p>No credit institutions have been excluded from the identification based on the fact that total assets do not exceed 0.02% of banking system total assets.</p> <p>More details on Banco de Portugal’s methodology are available in its website (https://www.bportugal.pt/en/page/o-sii-capital-buffer)</p>														

<p>4.3 Supervisory judgement</p>	<p>No institution has been identified as O-SII through the use of supervisory judgement.</p>																		
<p>4.4 Calibrating the O-SII buffer</p>	<p>Banco de Portugal follows a bucketing/clustering approach to calibrate the O-SII capital buffer. For more details please see the description of the methodology available in Banco de Portugal’s website.</p> <p>The following five buckets have been defined:</p> <table border="1" data-bbox="619 510 1300 730"> <thead> <tr> <th><u>Bucket</u></th> <th><u>Bucket limits</u></th> <th><u>Buffer rate</u></th> </tr> </thead> <tbody> <tr> <td>5</td> <td>>= 2800</td> <td>2.00%</td> </tr> <tr> <td>4</td> <td>2100-2799</td> <td>1.00%</td> </tr> <tr> <td>3</td> <td>1400-2099</td> <td>0.75%</td> </tr> <tr> <td>2</td> <td>700-1399</td> <td>0.50%</td> </tr> <tr> <td>1</td> <td>350-699</td> <td>0.25%</td> </tr> </tbody> </table> <p>Bucket 5 corresponds to an empty bucket, in the sense that no O-SII will be allocated to it. By considering an empty bucket, the competent authority signals the market and the O-SII that the latter could be asked to comply with a higher rate in the future if they become more systemically relevant.</p> <p>In 2017, Banco de Portugal defined a four year phase-in period that started in January 2018 and will end up in January 2021. In 2019, Banco de Portugal decided to extend this period in one year to Banco Comercial Português, SA given that the buffer requirement was revised upward by 0.25 percentage points (see point 3.5).</p>	<u>Bucket</u>	<u>Bucket limits</u>	<u>Buffer rate</u>	5	>= 2800	2.00%	4	2100-2799	1.00%	3	1400-2099	0.75%	2	700-1399	0.50%	1	350-699	0.25%
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<p>4.5 Effectiveness and proportionality of measure</p>	<p>According to Banco de Portugal’s macroprudential stance, the O-SII buffer is a suitable instrument to address the macroprudential policy intermediate objective aimed at preventing the building up of systemic risks arising from misaligned incentives and moral hazard.¹</p> <p>The identification of systemically important institutions and the application of stricter capital requirements are based on the following rationale: when taking rational decisions to maximize profits, which can be viewed as optimal at the individual level, systemically important institutions do not internalize the negative externalities these decisions may cause to the financial system.² Negative externalities comprise the impact of the failure or impairment of large, complex and interconnected financial institutions that may origin and amplify shocks throughout the financial system and have serious i) cross-border impact on the global financial system and the economy, in the case of G-SIIs, or ii) impact on the domestic financial system and economy, in the case of O-SIIs.</p> <p>The introduction of the O-SII buffer is thereby suggested as a risk-mitigating measure, aiming at enhancing the resilience of the financial system by imposing stricter capital requirements to banking groups identified as systemically important at the domestic level. According to the Basel Committee on Banking Supervision, the main objective of the O-SII capital buffer is to reduce the probability of default of this type of institutions</p>																		

¹ Banco de Portugal (2014), “Macro-prudential policy in Portugal: objectives and instruments”.

² Basel Committee on Banking Supervision (2012), “A framework for dealing with domestic systemically important banks”

	<p>compared to non-systemic ones given the greater impact an O-SII failure is expected to have on the domestic financial system and the economy.</p> <p>The assets of the Portuguese O-SIIs represented, in 2018, 80.6% of the total assets of the Portuguese banking sector and 153.9% of GDP. Therefore, the relevance of these institutions in the domestic banking system and the magnitude of the systemic risk that they may pose to the Portuguese economy are clear. Thus, the need for a capital buffer targeted to these institutions is largely justified.</p>												
5. Cross-border and cross-sector impact of the measure													
<p>5.1 Assessment of cross-border effects and the likely impact on the internal market (Recommendation ESRB/2015/2)</p>	<p>According to Recommendation ESRB/2015/2, the relevant activating authorities are recommended to assess, prior to their adoption, the cross-border effects of the implementation of their own macroprudential policy measures. In order to perform that assessment the spillover channels operating via risk adjustment and regulatory arbitrage should be gauged using the methodology set out in Chapter 11 of the ESRB Handbook. These spillovers are split in two types: cross-border effects of the implementation of macroprudential measures that affect the activating authorities (also known as inward spillovers) and those cross-border effects that impact the Single Market (also known as outward spillovers).</p> <p>In order to assess the potential cross-border effects, leakages and regulatory arbitrage of setting the O-SII capital buffer, the framework and the indicators, whenever available, set out in Chapter 11 of the ESRB Handbook are used.</p>												
<p>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>The scope for leakages is limited in the sense that:</p> <ul style="list-style-type: none"> • This measure applies on the highest consolidated level for supervision purposes; • In Portugal the non-banking part of the financial system has a relatively small dimension and Banco de Portugal does not expect a material shift to other bank and non-bank financial entities. 												
6. Combinations and interactions with other measures													
<p>6.1 Combinations between G-SII and OSII buffers (Article 131.14)</p>	<p>In case both G-SII and O-SII criteria applied to the same institution at the consolidated level, which of the two buffers is the highest?</p> <p>Not applicable, as no institution in Portugal is subject to both an O-SII and G-SII buffer.</p>												
<p>6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</p>	<p>Are any of the institutions subject to a systemic risk buffer?</p> <p>Not applicable, as no institution in Portugal is subject to a systemic risk buffer.</p>												
<p>6.3 O-SII requirement for a subsidiary (Article 131.8)</p>	<p>In case the O-SII is a subsidiary of an EU parent institution which is subject to a G-SII or O-SII buffer on a consolidated basis, what is the G-SII or O-SII buffer rate on a consolidated basis of the parent institution?</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Institution</th> <th style="text-align: left;">Ultimate parent institution</th> <th style="text-align: left;">G-SII buffer of the parent³</th> <th style="text-align: left;">O-SII buffer of the parent</th> </tr> </thead> <tbody> <tr> <td>Santander Totta, SGPS, S.A.</td> <td>Banco Santander S.A.</td> <td>1.00%</td> <td>1.0%</td> </tr> <tr> <td>Banco BPI, S.A.</td> <td>Caixabank, S.A.</td> <td>-</td> <td>0.25%</td> </tr> </tbody> </table>	Institution	Ultimate parent institution	G-SII buffer of the parent ³	O-SII buffer of the parent	Santander Totta, SGPS, S.A.	Banco Santander S.A.	1.00%	1.0%	Banco BPI, S.A.	Caixabank, S.A.	-	0.25%
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³ According to the FSB 2018 list of G-SII available at <https://www.fsb.org/2018/11/2018-list-of-global-systemically-important-banks-g-sibs/>

	<p>The O-SII buffer to be applied to Santander Totta, SGPS, S.A. is capped at 1.0% given the limits foreseen in CRD IV article 131 (8). As the fully loaded O-SII buffer imposed to Santander Totta, SGPS, S.A. is 0.5% this cap is not binding.</p> <p>The O-SII buffer to be applied to Banco BPI, S.A. is capped at 1.0% given the limits foreseen in CRD IV article 131 (8). As the fully loaded O-SII buffer imposed to Banco BPI, S.A. is 0.5% this cap is not binding.</p>
6.4 Interaction with other measures	<p>How does the buffer requirement interact with other measures addressing the same risk (e.g. with other supervisory measures)?</p> <p>The introduction of the Bank Recovery and Resolution Directive (BRRD), which establishes new rules to resolve and manage crisis of financial institutions addresses in some extent the same risks, given that this new framework aims to mitigate the assumption of (implicit) government guarantees mainly associated to systemically important institutions.</p>
7. Miscellaneous	
7.1 Contact person(s) at notifying authority	<p>Contact person(s) for further inquiries (name, phone number and e-mail address)</p> <p>Ana Cristina Leal (Head of the Financial Stability Department) aleal@bportugal.pt +351 211 597 083</p> <p>Fátima Silva (Head of the Macroprudential Policy Division) mfsilva@bportugal.pt +351 211597024</p>
7.2 Any other relevant information	Not applicable