

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

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1. Notifying national authority			
1.1 Name of the notifying authority	Central Bank of Ireland		
2. Description of the measure			
2.1 Concerned institution or group of institutions	O-SII	Level of consolidation	LEI Code
	AIB Group plc (AIB)	Consolidated	635400AKJBGNS5WNQL34
	Bank of America Merrill Lynch Internal DAC (BAMLI)	Individual	EQYXK86SF381Q21S3020
	Barclays Bank Ireland plc (BBI)	Individual	2G5BKIC2CB69PRJH1W31
	Bank of Ireland Group plc (BOI)	Consolidated	635400C8EK6DRI12LJ39
	Citibank Holdings Ireland Ltd (Citibank)	Consolidated	549300K7L8YW8M215U46
	Ulster Bank Ireland DAC (UBIDAC)	Individual	635400KQIMALJ4XLAD78
2.2 Level of the buffer applied	O-SII	Level of consolidation	O-SI Buffer
	AIB	Consolidated	1.50%
	BAMLI	Individual	0.75%
	BBI	Individual	1.00%
	BOI	Consolidated	1.50%
	Citibank	Consolidated	1.00%
	UBIDAC	Individual	0.50%

2.3 Name of the EU ultimate parent institution	O-SII	EU Parent	LEI Code (EU parent)			
	Ulster Bank Ireland DAC	The Royal Bank of Scotland Group	213800509XJIJN4JPN90			
	Barclays Bank Ireland plc	Barclays Bank plc	G5GSEF7VJP5I7OUK5573			
2.4 Names of subsidiaries	NA					
3. Timing of the measure						
3.1 Timing of the Decision	Decision scheduled for November 6 2020. (Provisional)					
3.2 Timing of the Publication	Publication scheduled for November 26 2020. (Provisional)					
3.3 Disclosure	The identification of O-SIIs and their associated buffers will be disclosed on the website of the Central Bank of Ireland.					
3.4 Timing of Application	1 July 2021					
3.5 Phasing in	O-SII Buffer Rates					
	O-SII institution	1 July 2019	1 July 2020	1 July 2021	1 January 2022	
	AIB	0.50%	1.00%	1.50%	1.50%	
	BOI	0.50%	1.00%	1.50%	1.50%	
	Citibank	0.25%	0.50%	1.00%	1.00%	
	UBIDAC	0.25%	0.50%	0.50%	0.50%	
	BAMLI		0.50%	0.75%	0.75%	
BBI		0.50%	0.75%	1.00%		
3.6 Review of the measure	The list of identified O-SIIs and associated buffer rates are to be reviewed on an annual basis.					
4. Reason for O-SII identification and activation of the O-SII buffer						
4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)	Institution	Overall institution score	Category score			
			Size	Importance	Complexity	Interconnectedness
	BBI	1637	1058	927	3261	1301
	BOI	1503	1737	2220	1117	939
	Citibank	1322	846	2785	1163	495
	AIB	1112	1509	1848	345	745
	BAMLI	727	804	273	964	867
	UBIDAC	337	469	590	95	196
	See attached excel file IE_OSII_SummaryScores_formal_notification2020_CONFIDENTIAL.xlsx for further detail					

<p>4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</p>	<p>The assessment of credit institution O-SIIs was conducted in line with the EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU in relation to the assessment of O-SIIs (EBA/GL/2014/10). Five institutions (AIB, BOI, BAMLI, BBI and Citi) were identified as part of the EBA mandatory scoring with each exceeding the standard 350 basis point threshold set out in the EBA guidelines and the overall scores are outlined in section 4.1.</p> <p>One institution, UBIDAC, was designated as an O-SII on the basis of supervisory overlay given its importance in terms of financial intermediation with the domestic non-financial private sector. This supervisory assessment puts emphasis on domestic indicators of systemic importance and complements the EBA’s mandatory scoring methodology by measuring activities that are critical to the Irish economy and financial system.</p> <p>A separate assessment was carried out for in-scope investment firms. This incorporated both an assessment of quantitative indicators more applicable to the sector (total assets, AuM, client money, secondary market footprint) and a more general assessment in the context of the new prudential regime for investment firms (IFR & IFD).¹ The assessment led to no in-scope investment firms being identified as O-SIIs</p>
<p>4.3 Supervisory judgement</p>	<p>Five credit institutions identified by the mandatory scoring process using the standard 350bps threshold in the EBA guidelines were identified as O-SIIs. Supervisory judgement, was also employed and identified one additional institution as an O-SII as outlined in 4.2.</p>
<p>4.4 Calibrating the O-SII buffer</p>	<p>The Central Bank of Ireland’s approach to calibrating the O-SII buffer takes into account the high-level principles of the Basel framework, the requirements of the CRD IV, the ECB’s floor methodology as well as the specificities of the Irish economy. The approach envisages a number of elements</p> <ul style="list-style-type: none"> • Buffer rates are set by guided discretion i.e. while ultimately based on judgement buffer rates are informed by quantitative analysis. • Buffers should be reflective of the systemic importance of institutions <ul style="list-style-type: none"> ○ More systemically important institutions should receive relatively higher buffers. ○ Similar institutions should receive similar buffers. • Buffer rates are set in a manner to allow scope to tighten the policy for all institutions, should an institution grow in systemic importance. <p>The Irish banking system is composed of both a small number of domestically focused retail banks and a number of internationally focused institutions, some of whom are large and complex. As a result, a number of measures of systemic importance are used to inform O-SII buffer calibration – EBA score, size and role in domestic financial intermediation. This approach looks to ensure that buffers are appropriate and reflect an institutions systemic importance while acknowledging the specificities of the Irish banking system.</p> <p>On balance across these dimensions of systemic importance the following emerges:</p> <ul style="list-style-type: none"> • AIB and BOI – highly systemically important across the three metrics. • BBI and Citi - high scoring in terms of EBA score reflecting different dimensions of systemic importance but with a limited role in terms domestic financial intermediation. • BAMLI – relatively limited direct involvement with the domestic economy when compared to the more retail-orientated banks and somewhat lower scoring than BBI and Citi under the EBA approach. • UBIDAC – lower scoring than the other institutions but systemically important in terms of its financial intermediation role with the domestic private sector. <p>Implied buffer rates are calculated for each institution across the three measures of systemic importance, using a scaling method where the most systemically important</p>

¹ Investment Firms Regulation (IFR) and the Investment Firms Directive (IFD)

	<p>institution receives a buffer of 1.5 per cent. In addition, although buffers are not directly calibrated from the results, implied buffers based on an application of the equal expected impact approach to Ireland also inform the buffer setting process.</p> <p>Proposed buffer rates are also benchmarked against the ECB floor methodology. The buffer rates arising from this year's review comply with the floor methodology.</p>									
<p>4.5 Effectiveness and proportionality of measure</p>	<p>The guiding principle behind the O-SII buffer is to minimise the effect that the failure of a systemically important institution would have on the domestic economy. As outlined above, the buffers are informed by quantitative methodologies and commensurate with the degree of systemic importance of an institution.</p> <p>For five of the six identified O-SIIs the review does not result in any change to either the buffer rate or the phase-in period. In the case of BBI for which the buffer rate has increased, the buffer will increase to 0.75 per cent as of July 2021, in line with last year's review, with the additional 25 bps arising from this year's assessment taking effect as of 1 January 2022.</p>									
<p>5. Cross-border and cross-sector impact of the measure</p>										
<p>5.1 Assessment of cross-border effects and the likely impact on the internal market (Recommendation ESRB/2015/2)</p>	<p>The O-SII buffers are not expected to provide a material incentive for institutions to alter the geographical distribution of assets or cross-border group structure.</p> <p>The phasing in of buffers looks to avoid any negative impact on credit growth in the domestic economy or in the other countries in which the O-SIIs are active.</p> <p>The O-SII buffer rates are not out of line with those buffer rates set in other European countries.</p> <p>The application of the aforementioned O-SII buffers is expected to increase the resilience of the Irish financial system, which will have positive spillovers to the EU financial system.</p>									
<p>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>The scope for leakages or regulatory arbitrage is limited for the O-SII buffer, in line with Chapter 11 of the ESRB handbook on reciprocity.</p>									
<p>6. Combinations and interactions with other measures</p>										
<p>6.1 Combinations between G-SII and O-SII buffers (Article 131.14)</p>	<p>NA</p>									
<p>6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</p>	<p>None of the O-SIIs identified are subject to a systemic risk buffer.</p>									
<p>6.3 O-SII requirement for a subsidiary (Article 131.8)</p>	<table border="1"> <thead> <tr> <th>O-SII</th> <th>EU Parent</th> <th>G-SII Buffer Rate (EU Parent)</th> </tr> </thead> <tbody> <tr> <td>Ulster Bank Ireland DAC</td> <td>The Royal Bank of Scotland Group</td> <td>None</td> </tr> <tr> <td>Barclays Bank Ireland plc</td> <td>Barclays Bank plc</td> <td>1.5%</td> </tr> </tbody> </table>	O-SII	EU Parent	G-SII Buffer Rate (EU Parent)	Ulster Bank Ireland DAC	The Royal Bank of Scotland Group	None	Barclays Bank Ireland plc	Barclays Bank plc	1.5%
O-SII	EU Parent	G-SII Buffer Rate (EU Parent)								
Ulster Bank Ireland DAC	The Royal Bank of Scotland Group	None								
Barclays Bank Ireland plc	Barclays Bank plc	1.5%								

6.4 Interaction with other measures	NA
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7. Miscellaneous			
	Name	Telephone	E-mail
7.1 Contact person(s) at notifying authority	Caroline Gavin	+ 353 1 224 6805	caroline.gavin@centralbank.ie macroprudential@centralbank.ie
7.2 Any other relevant information	NA		