

OPINION

On the macroprudential measure adopted by the Banco de España on other systemically important institutions (O-SIIs) for 2024

Background

On 30 June 2023 the Banco de España informed AMCESFI, the Spanish macroprudential authority, of its intention to conduct the annual exercise for identifying other systemically important institutions (O-SIIs) and setting their macroprudential capital buffers for 2024. This compulsory measure falls under the macroprudential policy powers conferred upon the Banco de España in current Spanish legislation,¹ in transposition of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

AMCESFI has the power to issue Opinions on proposed macroprudential measures notified by the sectoral supervisory authorities, pursuant to Article 11 of Royal Decree 102/2019 of 1 March 2019 whereby AMCESFI was created, its legal framework was established and certain aspects relating to macroprudential tools were implemented.

AMCESFI has decided to issue this Opinion, considering that the O-SII measure proposed for 2024 entails changes to the measure currently in force for 2023, as a result of the new methodology used by the Banco de España to determine this requirement, in accordance with the revision of the European Central Bank (ECB) floor methodology for assessing O-SII minimum buffers within the scope of the Single Supervisory Mechanism (SSM).

Description and assessment of the measure

Based on the information sent to AMCESFI, the Banco de España has proposed to maintain the same four credit institutions identified as O-SIIs in 2023 for 2024 (see Table 1), and the setting of the related capital buffers pursuant to the relevant regulatory provisions,² which entails a recalibration with respect to 2023 for two of the institutions identified.

¹ Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions; Royal Decree 84/2015 of 13 February 2015 implementing Law 10/2014; as well as by Banco de España Circular 2/2016 of 2 February 2016 to credit institutions on supervision and solvency, which completes the adaptation of Spanish law to Directive 2013/36/EU and to Regulation (EU) No 575/2013.

² Article 46 of Law 10/2014, Articles 63 and 64 of Royal Decree 84/2015, Rules 14 and 15 and Annex 1 of Banco de España Circular 2/2016, and the Directives issued by the European Banking Authority (EBA) on the criteria for determining the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (EBA/GL/2014/10).

Table 1: Proposed O-SIIs for 2024

Legal Entity Identifier (LEI)	Institution
5493006QMFDMMYWIAM13	Banco Santander S.A.
K8MS7FD7N5Z2WQ51AZ71	Banco Bilbao Vizcaya Argentaria, S.A.
7CUNS533WID6K7DGF187	CaixaBank, S.A.
SI5RG2M0WQQLZCXKRM20	Banco de Sabadell, S.A.

Source: Banco de España.

As part of the O-SII identification exercise, the Banco de España has assessed the systemic importance of institutions authorised to operate in Spain at consolidated level using end-2022 data. A score is obtained for each institution, drawing on a set of indicators relating to various dimensions of the banking business, such as size, importance and substitutability, complexity and cross-border activity, and interconnectedness (see Table 2).

Table 2: Systemic importance score

Indicator categories	Weighting	Scores (bp)				
		Santander	BBVA	CaixaBank	Sabadell	Bankinter
<i>Size</i> (total assets)	25%	1,060	424	328	155	66
<i>Importance and substitutability</i> (value of domestic payment transactions, deposits and loans of the resident private sector in the EU)	25%	637	389	573	132	95
<i>Complexity and cross-border activity</i> (notional value of OTC derivatives, and cross-jurisdictional claims and liabilities)	25%	1,160	770	169	69	29
<i>Interconnectedness</i> (intra-financial system assets and liabilities, outstanding debt securities)	25%	1,303	458	212	93	46
Total		4,160	2,041	1,283	449	236

Source: Banco de España.

Note: Scores calculated based on data as at 31 December 2022, expressed in basis points (bp). For some institutions, the sum of the scores of the four indicator categories may differ by 1 bp owing to rounding. For illustrative purposes, Bankinter, S.A. data are included because it is the highest-scoring bank below the 350 bp designation threshold.

The four institutions identified as O-SIIs are those which obtain a systemic importance score above the regulatory benchmark threshold of 350 bp established in Rule 14 of Circular 2/2016 for automatic identification as O-SIIs.

The methodology used by the Banco de España to set the capital buffer rate for each O-SII is based on a bucketing framework that has been revised compared to that used in previous years. Broadly speaking, the new methodology yields higher buffer rates than the previous one, particularly for higher-scoring O-SIIs. This change follows the revision, agreed in late 2022, of the ECB's floor methodology for assessing O-SII minimum capital buffers³ within the scope of the SSM, of which the Banco de España is a member. Under SSM regulations,⁴ the ECB has the authority to apply more stringent macroprudential measures than those adopted by the national authorities.

³ See ECB, "Governing Council statement on macroprudential policies", 21 December 2022.

⁴ Article 5 of 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.

Table 3 compares the methodological frameworks used by the Banco de España and the ECB before and after the revisions. For all levels of systemic importance, the Banco de España requires an O-SII buffer rate equal to or higher than the benchmark minimum buffer requirement set by the ECB.

Table 3: Setting O-SII buffer rates using systemic importance scores

3.a Methodological frameworks up to 2023

ECB - Minimum buffer requirements			Banco de España - Buffer requirements	
Buckets	Score (bp)	Buffer rate	Score (bp)	Buffer rate
1	Up to 1,250	0.25%	Up to 900	0.25%
2	1,250 - 1,950	0.50%	900 – 1,950	0.50%
3	1,950 - 2,900	0.75%	1,950 - 2,900	0.75%
4	Above 2,900	1.00%	Above 2,900	1.00%

3.b Methodological frameworks from 2024

ECB - Minimum buffer requirements			Banco de España - Buffer requirements	
Buckets	Score (bp)	Buffer rate	Score (bp)	Buffer rate
1	Up to 750	0.25%	Up to 750	0.25%
2	750 - 1,299	0.50%	750 - 1,299	0.50%
3	1,300 - 1,949	0.75%	1,300 - 1,949	0.75%
4	1,950 - 2,699	1.00%	1,950 - 2,699	1.00%
5	2,700 - 4,449	1.25%	2,700 - 4,449	1.25%
6	Over 4,450	1.50%	4,450 - 5,500	1.50%
7	-	-	Above 5,500	1.75%

The applicable macroprudential buffer rates – which range from 0.25% to 1.75% – are assigned to each O-SII based on their score bucket according to the revised Banco de España methodology. In consequence, the proposed O-SII macroprudential buffer rates for 2024 are raised by 0.25 pp for two institutions: Banco Santander (to 1.25%) and BBVA (to 1.00%). Whereas the buffer rates for CaixaBank and Sabadell are unchanged at 0.50% and 0.25%, respectively. In common equity tier 1 (CET1) terms, the O-SII measure proposed by the Banco de España raises the capital requirements for institutions by approximately €2,366 million (Table 4).

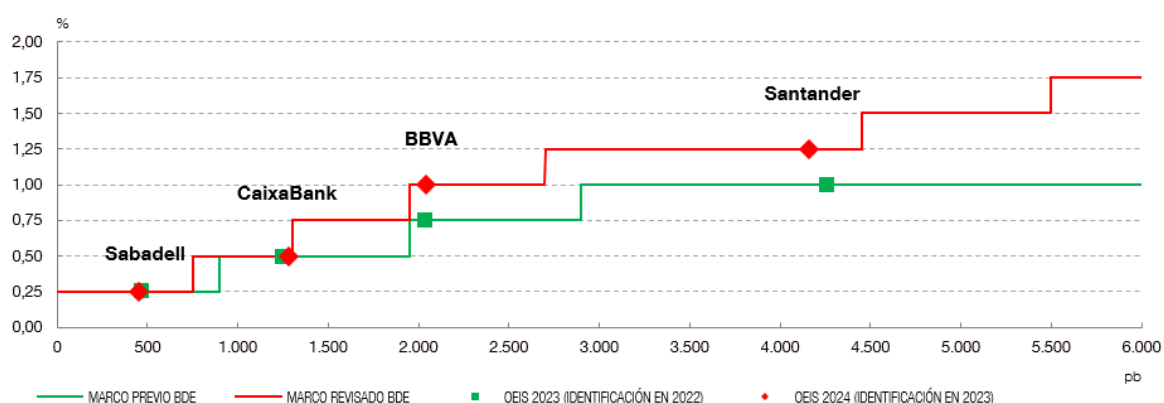
Table 4: Proposed O-SII macroprudential buffers for 2024

Institution	Proposed O-SII buffer rate for 2024 (change vs. 2023)	Estimated change in CET1 (€m)
Santander	1.25% (+0.25 pp)	1,523
BBVA	1.00% (+0.25 pp)	843
CaixaBank	0.50% (0 pp)	-
Sabadell	0.25% (0 pp)	-

Source: Banco de España.

Note: Estimated change in CET1 calculated drawing on Pillar 3 information published by institutions for December 2022 and expressed in percentage points (pp).

Chart 1: O-SII scores and buffers for 2023 (current) and 2024 (proposed)



Source: Banco de España.

Note: Each step represents a score bucket (horizontal axis). There were four buckets under the Banco de España's previous framework, while there are seven under the revised framework. The vertical axis shows the O-SII buffers corresponding to each bucket.

Conclusion

AMCESFI welcomes the fact that the list of institutions identified as O-SIIs for 2024 and their corresponding macroprudential buffers have been determined by the Banco de España in accordance with the applicable regulations and the current ECB guidelines for the assessment of O-SII requirements with effect from 2024 (Chart 1).

Pursuant to Article 14 of Royal Decree 102/2019, this Opinion shall be published on AMCESFI's website on the same date that the Banco de España announces the measures adopted.

In Madrid, on 27 July 2023.

[Signed]

AMCESFI Council Chair

NADIA CALVIÑO SANTAMARÍA

Disclaimer: This is an English translation, for information purposes, of the Opinion issued by AMCESFI on the macroprudential measure of the Banco de España concerning Other Systemically Important Institutions (O-SIIs) for 2024. In the event of any discrepancies between the English and Spanish versions of the document, the Spanish version shall prevail.