

OPINION

On the macroprudential measure by the Banco de España on other systemically important institutions (O-SIIs) for 2022

Background

On 29 June 2021 the Banco de España informed AMCESFI, the Spanish macroprudential authority, of its intention to adopt a measure identifying other systemically important institutions (O-SIIs) and setting their macroprudential capital buffers for 2022. This compulsory annual 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, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

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 2022 entails changes to the measure currently in force for 2021, as a result of the merger by absorption of Bankia, S.A. by CaixaBank, S.A. The merger, which became effective on 26 March 2021, represents a significant structural change for the Spanish banking system.

Description and assessment of measure

The Banco de España identifies O-SIIs among the institutions authorised to operate in Spain and sets the associated capital buffer rates in accordance with the provisions of Article 46 of Law 10/2014, Articles 63 and 64 of Royal Decree 84/2015, Rules 14 and 15 of Banco de España Circular 2/2016 and the European Banking Authority (EBA) Guidelines on assessment of O-SIIs.² By application of these regulations, the Banco de España assesses the systemic importance of institutions at the consolidated level, obtaining a score for each institution, drawing on a set of indicators relating to various dimensions of the banking business (Table 1).

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; and 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 EBA/GL/2014/10. 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). These Guidelines are incorporated into Rule 14 and Annex 1 of Banco de España Circular 2/2016.

Table 1: Systemic importance scores (on end-2020 data)

Indicator categories	Weighting	Scores (bp)				
		Santander	BBVA	CaixaBank	Sabadell	Bankinter
<i>Size</i> (total assets)	25%	988	425	392	156	63
<i>Importance and substitutability</i> (value of domestic payment transactions, deposits and loans of the private resident sector in the EU)	25%	653	464	507	132	82
<i>Complexity and cross-border activity</i> (notional value of transnational assets and liabilities and OTC derivatives)	25%	1,495	644	126	93	16
<i>Interconnectedness</i> (intra-financial system assets and liabilities, outstanding debt securities)	25%	1,222	514	225	96	50
Total		4,358	2,048	1,249	477	211

Source: Banco de España.

Note: The 1 basis point (bp) discrepancy between some of the total scores and the sum of the four indicator categories is due to rounding.

On the basis of the scores obtained, four banks – Santander, BBVA, CaixaBank and Sabadell – are above the regulatory benchmark threshold of 350 bp established in Rule 14 of Circular 2/2016 for automatic identification as O-SIIs. The next bank in order of importance – Bankinter – is significantly below that threshold.

Table 2: Proposed O-SIIs for 2022

Legal Entity Identifier (LEI)	Institution
5493006QMFDDMYWIAM13	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.

According to the information sent to AMCESFI, the Banco de España proposes to designate these four banks as O-SIIs for 2022 (Table 2). This compares with five banks in its decision for the previous year,³ as a result of the merger of two banks – CaixaBank and Bankia – that were previously both identified as O-SIIs.⁴

³ See “Banco de España updates the list of systemically important institutions and sets their macroprudential capital buffers”, press release of 27 November 2020.

⁴ In the case of Bankia, through BFA Tenedora de Activos, S.A.U.

Table 3: Sub-categories for setting O-SII capital buffer rates

Sub-category	Banco de España systemic importance score range (bp)	O-SII capital buffer rate (*)	ECB systemic importance score range (bp)
4	>2,901	1.0%	>2,901
3	1,951 – 2,900	0.75%	1,951 – 2,900
2	901 – 1,950	0.5%	1,251 – 1,950
1	350 - 900	0.25%	Up to 1,250

Source: Banco de España and ECB.

(*) The buffer rate applies to the total risk exposure (generally referred to as “risk-weighted assets” (RWAs)).

The macroprudential buffer rates assigned to the banks designated as O-SIIs correspond to a sub-category or predefined range of scores which – by association with a capital buffer rate of 0.25%, 0.5%, 0.75% or 1.0% – determines the buffer requirement applicable. The Banco de España follows a sub-category framework consistent with that established by the European Central Bank (ECB)⁵ as a reference for national authorities within the framework of the banking union (Table 3), such that the buffers required of banks by the Banco de España are, without exception, equal to or higher than the minimum buffer requirement set by the ECB (Table 4).

Table 4: Proposed O-SII macroprudential capital buffer rates for 2022

Institution	Existing O-SII buffer rate (2021)	Proposed O-SII buffer rate (2022)	
		ECB minimum requirement	Banco de España requirement
Santander	1.0%	1.0%	1.0%
BBVA	0.75%	0.75%	0.75%
CaixaBank	0.25%	0.25%	0.375% (2022) 0.5% (2023)
Sabadell	0.25%	0.25%	0.25%

Source: Banco de España.

Drawing on the scores obtained in this exercise, the macroprudential buffer rates proposed for three of the O-SIIs identified – Santander, BBVA and Sabadell – are unchanged on a year earlier, as their scores have remained in the same range. By contrast, the Banco de España proposes to increase CaixaBank’s buffer rate, since following its merger with Bankia its new score increases, moving up to a higher range. Accordingly, its buffer requirement is 0.5% of total risk exposure (compared with 0.25% at present). Applying the ECB thresholds, CaixaBank would be very close (2 bp) to sub-category 2, which is also associated with a buffer rate of 0.5%.

⁵ See the ECB’s [Governing Council statement on macroprudential policies](#) of 15 December 2016.

Bearing in mind the present macro-financial context, and in a setting in which the macroprudential authorities of other European countries⁶ are taking measures to strengthen economic recovery by facilitating the supply of credit to the real economy, the Banco de España proposes to phase in the increase in the O-SII buffer rate applicable to CaixaBank in a linear manner over two years. Thus, 50% of the increase (equivalent to 0.125 percentage points) will be applicable from 1 January 2022 (giving a buffer rate of 0.375%), while the full new buffer will be applicable from 2023 (subject to confirmation in next year's O-SII exercise).

Conclusion

AMCESFI affirms that the list of institutions identified as O-SIIs for 2022 and their corresponding macroprudential buffers have been determined by the Banco de España in accordance with the applicable regulations.

Compared with the macroprudential measure adopted in 2020, BFA Tenedora de Acciones (parent company of Bankia) is no longer classified as an O-SII as a result of the merger with CaixaBank. The resulting significant increase in the systemic importance of CaixaBank translates into higher capital requirements. Phasing in the new macroprudential buffer over two years is consistent with the flexibility that the applicable regulations allow,⁷ and is deemed warranted considering the macro-financial setting resulting from the COVID-19 crisis and the macroprudential measures for O-SIIs adopted in other EU countries in response to the pandemic.

Santander, BBVA and Sabadell remain classified as O-SIIs, as their systemic importance scores reveal no significant change compared with the previous year that would warrant adjustments in their buffers, according to the classification sub-categories applied by the Banco de España.

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 measure adopted.

Approved by the Council of AMCESFI on 12 July 2021.

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 2022. In the event of any discrepancies between the English and Spanish versions of the document, the Spanish version shall prevail.

⁶ A summary of these measures may be found in "The regulatory and supervisory response to the COVID-19 crisis", Financial Stability Review, Issue 40 (Autumn 2020), Banco de España.

⁷ Although the first transitional provision of Circular 2/2016 envisages that the initial O-SII macroprudential buffers be phased in between 2016 and 2019, this is not prescriptive for O-SII buffers set in subsequent years.