

EBA/CP/2020/03

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RESTRICTED

# Consultation Paper

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Regulatory Technical Standards on the identification methodology for global systemically important institutions (G-SIIs)

Implementing Technical Standards on Pillar 3 disclosure of indicators for G-SIBs

Guidelines on the specification, reporting and disclosure of indicators of global systemic importance

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# 1. Responding to this consultation

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The European Banking Authority (EBA) invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.2.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

## Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 05/06/2020. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

## Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

## Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EC) N° 45/2001 of the European Parliament and of the Council of 18 December 2000 as implemented by the EBA in its implementing rules adopted by its Management Board. Further information on data protection can be found under the Legal notice section of the EBA website.

## 2. Executive Summary

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The EBA methodology to identify global systemically important institutions (G-SIIs) closely follows the approach of the Basel Committee on Banking Supervision (BCBS) for identifying global systemically important banks (G-SIBs, in BCBS terminology). The list of EU G-SIBs identified by the BCBS and the G-SIIs identified by Member States' authorities are identical. In July 2018, the BCBS published an update to the approach to identify G-SIBs. This version replaced the July 2013 publication of the BCBS that for the first time established an international framework to identify G-SIBs.

As a consequence, the Regulatory Technical Standards (RTS) on the identification methodology to identify G-SIIs has to be updated. Additionally, Article 131 of Directive (EU) 2019/878 requires the EBA to design an additional identification methodology for G-SIIs based both on the existing international standard and on the cross-border activity of the group excluding those between participating Member States as referred to in Article 4 of Regulation (EU) 806/2014 of the European Parliament and of the Council.

Following Article 441 of the CRR2, institutions identified as G-SIIs are required to disclose, on an annual basis, the values of the indicators used for determining their score in accordance with the identification methodology referred to in Article 131 of Directive (EU) 2019/878. Article 434a of the CRR2 includes the mandate for the EBA to develop draft implementing technical standards specifying uniform disclosure formats, and associated instructions in accordance with which the disclosures required under Titles II and III of Part Eight of the CRR shall be made, including the disclosure required in Article 441. To facilitate the comparability of information, the implementing technical standards shall seek to maintain consistency of disclosure formats with international standards on disclosures.

For practical reasons, data instructions for indicator values and detailed template specifications are included in the EBA guidelines. Annual updates of such instructions and specifications will be published on the EBA website, which should be considered by all groups and institutions exceeding EUR 200 billion of exposure measure, including insurance subsidiaries.

### Next steps

The draft RTS and ITS will be submitted to the Commission for endorsement, following which will be subject to scrutiny by the European Parliament and the Council before being published in the Official Journal of the European Union, where needed.

The guidelines will be translated into the official EU languages and published on the EBA website. The deadline for competent authorities to report whether they comply with the guidelines will be two months after the publication of the translations.

### 3. Background and rationale

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The EBA methodology to identify global systemically important institutions (G-SIIs) closely follows the approach of the Basel Committee on Banking Supervision (BCBS) for identifying global systemically important banks (G-SIBs, in BCBS terminology). The list of EU G-SIBs identified by the BCBS and the G-SIIs identified by Member States' authorities are identical. This is in line with Directive (EU) 2019/878, which requires the methodology to take into account international agreed standards. In July 2018, the BCBS published a revised assessment methodology to identify G-SIBs and assign higher loss absorbency requirements. Consequently, the RTS on the identification methodology to identify G-SIIs has to be updated.

In addition, Article 131 of Directive (EU) 2019/878 requires the EBA to design an additional identification methodology for G-SIIs based both on the existing international standards and on the cross-border activities of the group excluding those between participating Member States as referred to in Article 4 of Regulation (EU) 806/2014 of the European Parliament and of the Council. In accordance with the G-SIB assessment methodology published by the BCBS, the cross-jurisdictional claims and liabilities of an institution are indicators of its global systemic importance and of the impact that its failure can have on the global financial system. Those indicators, which shall refer to 31 December, reflect the specific concerns, for instance, about the greater difficulty in coordinating the resolution of institutions with significant cross-border activities. The progress made in terms of the common approach to resolution resulting from the reinforcement of the single rulebook and from the establishment of the Single Resolution Mechanism (SRM) has significantly developed the ability to orderly resolve cross-border groups within the banking union. Therefore, and without prejudice to the capacity of competent or designated authorities to exercise their supervisory judgment, an alternative score reflecting that progress should be calculated. When doing so, competent or designated authorities should consider that score when assessing the systemic importance of credit institutions, without affecting the data supplied by EU authorities to the BCBS for the determination of international denominators. These EBA RTS deliver on that mandate by specifying the additional identification methodology for global systemically important institutions (G-SIIs) to allow the recognition of the specificities of the integrated European resolution framework within the context of the SRM. This EU additional methodology may be used by supervisors to frame the discussions held at the Basel Committee for the purpose of defining the annual list of G-SIBs and related higher capital buffer requirements. The draft RTS will apply from the 2021 G-SIIs assessment exercise based on end-2020 information.

The Pillar 3 disclosure, according to Article 441 of the CRR2, should be aligned with the BCBS template GSIB1 – “Disclosure of G-SIB indicators”, included in the BCBS March 2017 Pillar 3 standards – “Pillar 3 disclosure requirements – consolidated and enhanced framework”<sup>1</sup>. The BCBS template has to be fully consistent with the data submitted to the relevant supervisory authorities,

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<sup>1</sup> <https://www.bis.org/bcbs/publ/d400.pdf>

for subsequent remittance to the Committee in the context of its annual data collection exercise for the assessment and identification of G-SIBs. Similarly, in the EU framework, the Pillar 3 disclosure template has to be fully consistent with the template reported by institutions with a leverage ratio exposure measure above EUR 200 billion, for the purpose of the identification exercise and that is disclosed ex-ante by these institutions.

When implementing Article 441 of the CRR2, the EBA has taken into account the following considerations:

- Template flexibility, due to need for update on an annual basis in line with the Basel template;
- Need of consistency with the ex-ante disclosure template, reported and disclosed by all institutions with a leverage ratio exposure measure above EUR 200 billion, for identification purposes.

For the abovementioned reasons, the EBA will include in the comprehensive ITS on institutions' public disclosures that the authority is developing following the mandate in Article 434a of the CRR2, and that was published for consultation on the 16 October 2019<sup>2</sup> a new article with a cross-reference to the RTS that specifies the methodology for the identification of G-SIBs. The ITS on disclosures will not include a specific template, but a cross reference to format used for the collection of the indicator values by relevant authorities, format that will have to be applied by G-SIBs when disclosing the relevant information in their Pillar 3 reports.

To ensure convergent practices, the EBA guidelines on the specification of indicators of global systemic importance harmonise the ex-ante disclosure process of the indicators and the underlying values needed for the yearly identification exercise. Indicator values shall refer to 31 December, unless a relevant entity using a financial year-end other than 31 December agrees with its relevant authority on a different reference date. These disclosure requirements should not only apply to institutions that have already been identified as G-SIBs, but also to other very large entities that have an overall leverage ratio exposure measure exceeding EUR 200 billion, as measured on 31 December. By including these two sets of comparable institutions within scope of Article 131(1) of Directive 2019/878/EU, the Guidelines ensure that other potentially significant threats to financial stability are equally assessed and further revealed. The Guidelines thus go beyond the requirements of the Regulation enabling Member State authorities to timely perform the identification and scoring process and disclosure, in particular before the identification of any G-SIBs. The Guidelines are addressed to both competent or designated authorities and institutions.

The RTS on the identification methodology for G-SIBs, the ITS on Pillar 3 disclosure of indicators of systemic importance and the EBA Guidelines will be under ongoing review as the BCBS identification process provides regular reviews of the identification methodology.

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[https://eba.europa.eu/calendar%3Fp\\_id%3D8%26\\_8\\_struts\\_action%3D%252Fcalendar%252Fview\\_event%26\\_8\\_eventId%3D3004325](https://eba.europa.eu/calendar%3Fp_id%3D8%26_8_struts_action%3D%252Fcalendar%252Fview_event%26_8_eventId%3D3004325)

## 4. Draft regulatory technical standards on the identification of G-SIIs

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In between the text of the draft RTS/ITS/Guidelines/advice that follows, further explanations on specific aspects of the proposed text are occasionally provided, which either offer examples or provide the rationale behind a provision, or set out specific questions for the consultation process. Where this is the case, this explanatory text appears in a framed text box.

COMMISSION DELEGATED REGULATION (EU) No .../..

of **XXX**

amending Delegated Regulation (EU) No 1222/2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards for the specification of the methodology for the identification of global systemically important institutions and for the definition of subcategories of global systemically important institutions

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to 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, and in particular, Article 131(18) thereof,

Whereas:

(1) In July 2018, the BCBS published a revised methodology to assess global systemically important banks and assign higher loss absorbency requirements, which is the first revision to the framework for global systemically important financial institutions established by the Financial Stability Board following the report 'Reducing the moral hazard posed by systemically important financial institutions – FSB Recommendations and Time Lines'. It is therefore of the utmost importance to keep the identification methodology specified by Delegated Regulation (EU) 1222/2014 up to date, in order to reflect current developments of the global banking system and to take into account updated international standards.

(2) The updated international standards, as published by the BCBS in July 2018, introduce one new indicator to measure systemic importance. This new indicator refers to trading volume and is included in the category measuring the substitutability of services or of the financial infrastructure provided by the group. Despite this introduction, this category kept its previous relative weight in the overall score of 20%. The relative weight assigned to the new trading volume indicator is of 3.33%, which is offset by the reduction in relative weight of the underwritten transactions in debt and equity markets indicator, from 6.67% to 3.33%.

(3) Other changes to the framework include the introduction of an additional overall score for each entity with cross-border activities within the Member States participating in the Single Resolution Mechanism, including the amendment to the definition of cross-jurisdictional indicators and the extension of the scope of consolidation to insurance subsidiaries. On the basis of all these enhancements to the framework, Delegated Regulation No 1222/2014 should be amended.

(4) Directive 2013/36/EU allows relevant authorities to use sound supervisory judgment to re-allocate a G-SII from a higher subcategory to a lower subcategory based on an EU harmonised methodology for obtaining bank-specific G-SII scores that account for the specificities of the European Banking Union and the Single Resolution Mechanism within cross-border activity indicators. The additional overall score obtained for each entity with cross-border activities within the Member States participating in the Single Resolution Mechanism, on the basis of which this supervisory judgment could be applied, should be constrained to a maximum decrease of 10 basis points from the original G-SII score, in line with the international standards.

(5) Given that the data collection for the identification process in 2021 starts in the first quarter of 2021 and institutions need clarity as to which data must be reported, this Regulation should enter into force immediately.

(6) The EBA has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council.

HAS ADOPTED THIS REGULATION:

### *Article 1*

#### *Amendments to Delegated Regulation (EU) No 1222/2014*

Delegated Regulation (EU) No 1222/2014 is amended as follows:

(1) in Article 2, point (1) is replaced by the following:

(1) ‘Relevant entity’ means a group headed by an EU parent institution, an EU parent financial holding company or an EU parent mixed financial holding company, or an institution that is



not a subsidiary of an EU parent institution, an EU parent financial holding company or an EU parent mixed financial holding company;

- (2) Article 3, paragraph 2 is replaced by the following:

Common parameters for the methodology

‘2. The relevant authority shall report the indicator values of each relevant entity with a total exposure measure calculated in accordance with Article 429(4) of Regulation (EU) No 575/2013, including insurance subsidiaries, above EUR 200 billion which is authorised within its jurisdiction, to the EBA not later than 31 July each year. The indicator values shall be collected by the relevant authority taking into account the further specifications of the underlying data as set out in any guidelines developed by the EBA pursuant to Article 16 of Regulation (EU) No 1093/2010. The relevant authority shall ensure that the indicator values are identical to the ones submitted to the Basel Committee on Banking Supervision

- (3) Article 4 is replaced by the following:

‘Article 4

### **Identification procedure**

1. The relevant authority shall calculate the scores of the relevant entities that are included in the sample notified by the EBA, which are authorised in its jurisdiction, not later than 1 September of each year.
2. Where the relevant authority, in the exercise of sound supervisory judgment, re-allocates a G-SII from a lower subcategory to a higher subcategory, or designates a relevant entity as G-SII in accordance with points (a) and (b) of Article 131(10) of Directive 2013/36/EU respectively, the relevant authority shall communicate a detailed statement in written form on the reasons for its assessment to the EBA not later than 1 November of each year.
3. Where the relevant authority, in the exercise of sound supervisory judgment, re-allocates a G-SII from a higher subcategory to a lower subcategory in accordance with point (c) of Article 131(10) of Directive 2013/36/EU, the relevant authority shall communicate a detailed statement in written form on the reasons for its assessment to the EBA not later than 30 September of each year.
4. The identification of a relevant entity as a G-SII and the allocation to a higher subcategory shall take effect as of the 1 January of the second year following the calendar year when the denominators have been notified to relevant authorities in accordance with Article 3. When allocating a G-SII to a lower subcategory compared to the previous year identification process, the lower G-SII buffer requirement shall take effect as of the 1 January of the first following year, unless the relevant authority exerts its supervisory judgement to delay the application of such requirement to the date referred to in the first sentence..

- (4) Article 5 is amended as follows:

(a) Paragraph 2 is replaced by the following:

2. The relevant authority shall determine the score of each relevant entity of the sample as the simple average of the category scores subject to a maximum category score of 500 basis points for the category measuring the substitutability.

Each category score, except for the category measuring the substitutability of services and of financial infrastructure provided by the group, shall be calculated as the simple average of the values resulting from dividing each of the indicator values of that category by the denominator of the indicator notified by the EBA.

The score for the category measuring the substitutability of the services or of financial infrastructure provided by the group shall be calculated as a weighted average of the indicator values of that category. For this purpose, the full indicator value for assets under custody and payments activity referred to in points (a) and (b), respectively, of Article 6(3) and half of the indicator value for underwritten transactions in debt and equity markets and trading volume referred to in points (c) and (d), respectively, of Article 6(3) shall be computed.

The scores shall be expressed in basis points and shall be rounded to the nearest whole basis point.

(b) The following paragraph 5a is inserted:

‘5a. The relevant authority shall determine an additional overall score for each relevant entity with cross-border activities across participating Member States as referred to in Article 4 of Regulation (EU) No 806/2014 of the European Parliament and of the Council<sup>3</sup> as follows:

- a) The relevant authority shall follow the process set out in paragraph 2 of this Article, replacing the relevant entity’s indicator values referred to in points (a) and (b) of Article 6(5) measuring the cross-border activity of the group by the ones calculated in accordance with point b) of this paragraph, and the corresponding denominators by the revised denominators provided by the EBA;
- b) For the purposes of point (a), the relevant authority shall consider as domestic all claims and liabilities vis-à-vis counterparties domiciled in participating Member States as referred to in Article 4 of Regulation (EU) 806/2014 of the European Parliament and of the Council;
- c) For all other categories, the relevant authority shall consider the same unchanged indicator values reported by the relevant entity and denominators notified by the EBA;’

The baseline scenario for the EU additional methodology to allocate the G-SII buffer to identified G-SIIs warrants that the EU keeps its framework in line with the G-SIB framework set out by the BCBS. The EBA further discussed whether the EU additional methodology should limit supervisors’ ability to potentially reduce the EU additional score or the resulting G-SII bucket

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<sup>3</sup> Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (OJ L 225, 30.7.2014, p. 1).

allocation (or subcategory allocation), through sound use of supervisory judgement. Namely, the following options were considered:

- a) A 10 basis points of maximum reduction for the new EU additional G-SII score, meaning that if the original G-SIB score was of 260 bps, the EU additional score would be set within the range of 250 and 260 bps (observed past two years reduction at bank-level was on average of 12 basis points).
- b) A proportional reduction to the actual observed reduction from the original G-SII score to the new EU additional G-SII score. This proportional reduction could be calibrated at 25%, meaning that the EU additional score would result in a score lower than the original Basel score in a magnitude equal to 25% of the observed score reduction when excluding cross-border activity within the European Banking Union (e.g. a reduction of the G-SIIs score of 40 bps due to the European Banking Union cross-border exposures would translate into a 10 bps actual reduction of the score).
- c) A maximum reduction of one bucket, meaning that if the original allocation for a G-SII was for bucket 3 (or subcategory 3), the exercise of sound supervisory judgment would potentially allow for an allocation of that G-SII to bucket 2 (or subcategory 2) but not for a lower bucket (in this case, bucket/subcategory 1).

Q1: The EBA is interested in collecting views on whether the baseline scenario is appropriate and balanced between the need to recognise the European Banking Union integration process and the strong desire to apply and fully adhere to Basel international standards. Should respondents be more towards favouring options a), b) or c), kindly comment on whether the proposed range(s) is either i) appropriate, ii) too wide, or iii) too narrow.

(c) The following paragraph 5b is inserted:

‘5b. On the basis of the additional overall score referred to in paragraph 5a, a decision to re-allocate a G-SII from a higher sub-category to a lower sub-category, in the exercise of sound supervisory judgement in accordance with point (c) of Article 131(10) of Directive 2013/36/EU, shall be based on an assessment whether its failure would have a lower negative impact on the global financial market and the global economy including, where appropriate, consideration of any views or reservations adopted by the Basel Committee on Banking Supervision in accordance with its publicly available methodology for assessing the systemic importance of global systemically important banks.

The additional overall score may determine the allocation of the G-SII in a lower sub-category in accordance with paragraph 3 of this Article.

Not included in the baseline scenario for the EU additional methodology is the potential need to consider the impact of different FX conversion methods.

Bank-specific scores are affected by exchange rate fluctuations, which could be seen as another dimension feeding into the systemic footprint to be assessed in the G-SII identification exercise. On the other hand, it seems reasonable to argue that the method chosen to convert different exchange rates into one single base currency (i.e. the Euro) should be neutral in terms of bank-specific impact. However, the reality is that considering different FX conversion methods could have led to different bank-specific scores across the years. Variations between -16 and +15 bps of the actual G-SII score for the years of 2017 and 2018 would have been observed. In other words, no bank should be penalised by the fact that its reporting currency is not the same as the single base currency used by the G-SII framework to compute global denominators and bank-specific G-SII scores. While this matter may apparently seem unrelated with European Banking Union banks reporting in the base currency of the G-SII framework, it becomes particularly sensitive as it could have delivered different bank-specific allocation of G-SII buffer rates in past exercises. Within the G-SII framework, the different FX conversion methods considered are the average FX rate for the year, the median FX rate for the year, the previous year-end spot FX rate and the current year-end spot FX rate. The latter method is the one currently in use by the Basel framework.

Q2: Considering the above, the EBA welcomes views on whether the different FX conversion methods should be taken into account and clearly disclosed when designing the EU additional methodology to assign G-SII buffer rates. For instance, the average bank-specific impact across the alternative FX conversion methods could be taken and applied as a second step of the EU additional methodology, with the view of reaching a final EU revised G-SII score. Additional context about this question and related options is provided in the impact assessment section of this consultation paper.

(d) Paragraph 6 is replaced by the following:

‘6. The decisions referred to in paragraphs 4, 5 and 5b shall be supported by ancillary indicators, which shall not be indicators of the probability that the relevant entity fails. Such decisions shall comprise well documented and verifiable quantitative and qualitative information.’

(5) In Article 6(3), a new point (d) is inserted:

‘(d) Trading volume.’

(6) Article 7 is deleted.

*Article 2*  
*Entry into force*

This Regulation shall enter into force on the day following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission

The President

On behalf of the President

## 5. Draft implementing technical standards on disclosure of indicators of global systemic importance

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In between the text of the draft RTS/ITS/Guidelines/advice that follows, further explanations on specific aspects of the proposed text are occasionally provided, which either offer examples or provide the rationale behind a provision, or set out specific questions for the consultation process. Where this is the case, this explanatory text appears in a framed text box.

In the draft Commission Implementing Regulation (EU) No .../... of XXX laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council, currently under consultation by the EBA (EBA-CP-2019-09 of 16 October 2019):

**(1) Recital will be added as follows:**

Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 provides that G-SIIs shall disclose, on an annual basis, the values of the indicators used for determining their score of the institutions in accordance with the identification methodology referred to in that Article 131 of Directive 2013/36/EU. Commission Delegated Regulation (EU) No 2016/1608 on the specification on that methodology issued on the basis of Article 131 of Directive 2013/36/EU has been amended to also take into account the revised methodology for the identification of G-SIIs adopted by the BCBS in July 2018. Furthermore, Regulation (EU) 2019/876 has repealed paragraph 2 of Article 441 of Regulation (EU) No 575/2013. There is, therefore, a need to set out the uniform format for that disclosure item in line with the updated G-SIIs identification methodology while Commission Implementing Regulation (EU) No 1030/2014 should be repealed in its entirety.

**(2) A new Article 7 will be added as follows:**

‘Article 7

### **DISCLOSURE OF INDICATORS OF GLOBAL SYSTEMIC IMPORTANCE**

G-SIIs shall make the disclosures of the values of the indicators used for determining their score, required in Article 441 of Regulation (EU) No 575/2013, in the same format as for the collection of the indicator values by relevant authorities as set out in Article 3(2) of Commission Delegated Regulation (EU) No 1222/2014, but they shall not be bound to disclose publicly any ancillary data and memorandum items included therein.”

**(3) Articles 7 to 22 will be renumbered as 8 to 23.**

**(4) A new paragraph 5 will be added in the ex Article 21 (current Article 22) as follows:**

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“5. COMMISSION IMPLEMENTING REGULATION (EU) No 1030/2014 of 29 September 2014 laying down implementing technical standards with regard to the uniform formats and date for the disclosure of the values used to identify global systemically important institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council will be repealed.”

Q3: Do respondents agree that the proposed implementation of the disclosure required in Article 441 of the CRR fits the purpose of the underlying regulation?

## 6. Draft revised guidelines on the specification of indicators of global systemic importance and their disclosure

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### Background and rationale

The Regulatory Technical Standards (RTS) on the methodology for the identification of global systemically important institutions (G-SIIs) set out a list of indicators to be used for the identification of such entities. The further specification is left to relevant authorities and shall be updated every year in accordance with international standards. To ensure convergent practices and up to date information for relevant entities, the further specification of the indicators is harmonised in these Guidelines.

Uniform and meaningful disclosure requirements are necessary to guarantee fair competition between comparable groups of institutions and to ensure greater convergence of supervisory practices and the accurate assessment of risks across the EU. They improve data quality and strengthen market discipline. With this in mind, G-SIIs should be subject not only to additional capital requirements, but also to greater public scrutiny than average institutions. These disclosure requirements should not only apply to institutions that have already been identified as G-SIIs, but also to other large entities that have an overall leverage ratio exposure amount, including insurance subsidiaries, exceeding EUR 200 billion, which fall into the scope of Article 131(1) of Directive 878/2016, as they also constitute a potentially significant threat to financial stability. The Guidelines go beyond the requirements of the Regulation, which only addresses G-SIIs, and also aim to enable Member State authorities to perform the identification and scoring process and disclosure, in particular before any G-SIIs have been identified. The Guidelines are therefore addressed to both competent authorities and institutions.

To ensure comparability in order to facilitate the work of Member States' authorities, as well as scrutiny by the public at large, and to achieve the aim of improving data quality and strengthening market discipline, the means of disclosure should also be uniform. Therefore, the Guidelines go beyond Article 441 of the Regulation and state that all relevant entities should disclose the data concerned in electronic form on their websites and together with the remaining data specified in Part eight of the Regulation. Detailed instructions on how to complete the templates have been included in the Guidelines and, where needed, will be updated on an annual basis by the EBA via its website. Further questions of institution should be discussed with the relevant authorities.



The RTS on the identification methodology of G-SIIs and these Guidelines will be under ongoing review as the BCBS identification process provides for regular reviews of the identification methodology every three years.

# Compliance and reporting obligations

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## Status of these guidelines

1. This document contains guidelines issued pursuant to Article 16 of Regulation (EU) No 1093/2010<sup>4</sup>. In accordance with Article 16(3) of Regulation (EU) No 1093/2010, competent authorities and financial institutions must make every effort to comply with the guidelines.
2. Guidelines set the EBA view of appropriate supervisory practices within the European System of Financial Supervision or of how Union law should be applied in a particular area. Competent authorities as defined in Article 4(2) of Regulation (EU) No 1093/2010 to whom these guidelines apply should comply by incorporating them into their practices as appropriate (e.g. by amending their legal framework or their supervisory processes), including where guidelines are directed primarily at institutions.

## Reporting requirements

3. According to Article 16(3) of Regulation (EU) No 1093/2010, competent authorities must notify the EBA as to whether they comply or intend to comply with these guidelines, or otherwise with reasons for non-compliance, by [dd.mm.yyyy]. In the absence of any notification by this deadline, competent authorities will be considered by the EBA to be non-compliant. Notifications should be sent by submitting the form available on the EBA website to [compliance@eba.europa.eu](mailto:compliance@eba.europa.eu) with the reference 'EBA/GL/202x/xx'. Notifications should be submitted by persons with appropriate authority to report compliance on behalf of their competent authorities. Any change in the status of compliance must also be reported to EBA.
4. Notifications will be published on the EBA website, in line with Article 16(3).

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<sup>4</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010), as amended.

# Subject matter, scope and definitions

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## Subject matter

6. These Guidelines relate to:
  - (i) the specification of the indicators used for the identification of G-SIIs as set out in Regulation (EU) No 1222/2014 ('indicators'); and
  - (ii) the reporting of the underlying data (indicators, ancillary data and memorandum items) and the annual disclosure of the resulting indicator values used for the identification of G-SIIs.

## Scope of application

7. These guidelines apply in relation to:
  - (i) Groups headed by an EU parent institution, an EU parent financial holding company or an EU parent mixed financial holding company and
  - (ii) institutions that are not subsidiaries of an EU parent institution, an EU parent financial holding company or an EU parent mixed financial holding company,

which observe a leverage ratio exposure measure exceeding EUR 200 billion on a consolidated or individual basis, respectively (and including insurance subsidiaries), using an adequate exchange rate, which takes into account the reference exchange rate published by the European Central Bank applicable at the financial year end and international standards ('relevant entities').

## Addressees

8. These guidelines are addressed to competent authorities as defined in point (i) of Article 4(2) of Regulation (EU) No 1093/2010 and to financial institutions in relation to which these guidelines apply. Designated authorities referred to in Article 131(1) of Directive 2013/36/EU other than competent authorities are encouraged to apply these guidelines

# Implementation

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## Date of application

8. These guidelines apply from [dd.mm.yyyy-INSERT DATE OF PUBLICATION ON THE EBA WEBSITE ON ALL EU LANGUAGES].

## Repeal

9. The revised Guidelines on the further specification of the indicators of global systemic importance and their disclosure of 29 February 2016 (EBA/GL/2016/01) are hereby repealed.

# Specification of the underlying data on the indicators used for the identification of G-SIIs

10. When determining the scores of the relevant entities on the basis of the indicators, competent authorities should apply the specifications of the underlying data on such indicators as set out in the Annex to these guidelines.
11. Relevant authorities should apply the ancillary data (Sections 14 and 15 of the annex) to support their supervisory judgement in accordance with Article 131(10) of Directive 2013/36/EU and the memorandum items (Sections 16 to 21 of the Annex) to improve the data quality and to help in developing future improvements to the identification methodology. The memorandum items should be complemented by comments from relevant entities regarding data quality and availability where appropriate.

## Requirements regarding reporting and disclosure by relevant institutions

12. Relevant authorities should ensure that they collect all data (indicators, ancillary data and memorandum items) from relevant entities that on every 31 December meet the criteria specified in point 2 of Title I of these Guidelines. Data should be collected on the basis of the specifications of the underlying data as set out in the Annex to these guidelines. When reporting the data, relevant entities should follow the yearly instructions published on the EBA website.
13. Relevant authorities should ensure that relevant entities publicly disclose on their websites the underlying data and indicator values under sections 1 to 13 of the Annex to these guidelines, on an annual basis.
14. When reporting and disclosing the information referred to in paragraphs 12 and 13, relevant entities should use the electronic template and follow the yearly instructions published for this purpose on the EBA website.
15. Relevant entities should report and publicly disclose the information referred to in paragraphs 12 and 13 on an annual basis, no later than four months after each financial year-end. Relevant authorities may allow relevant entities whose financial year-end does not coincide with 31 December to report and disclose that information based on their position closer to 31 December. In any case, disclosure of the information should be made

no later than 31 July.

16. Relevant authorities should ensure that the reported and disclosed data is identical to those submitted to the Basel Committee on Banking Supervision, where applicable.

## Information to the EBA

17. Relevant authorities should provide the EBA with all the data, including ancillary data and memorandum items, collected in accordance with these guidelines, for centralisation purposes on the EBA website. The EBA will not disclose the ancillary data and memorandum items.

# Annex

## Template [update with end-2019 BCBS template]

### *General Bank Data*

<b>Section 1 - General Information</b>	<b>Response</b>
a. General information provided by the relevant supervisory authority:	
(1) Country code	
(2) Bank name	
(3) Reporting date (yyyy-mm-dd)	
(4) Reporting currency	
(5) Euro conversion rate	
(6) Submission date (yyyy-mm-dd)	
b. General information provided by the reporting institution:	
(1) Reporting unit	
(2) Accounting standard	
(3) Date of public disclosure (yyyy-mm-dd)	
(4) Language of public disclosure	
(5) Web address of public disclosure	

### *Size Indicators*

<b>Section 2 - Total Exposures</b>	<b>Amount</b>
a. Derivatives	
(1) Counterparty exposure of derivatives contracts	
(2) Capped notional amount of credit derivatives	
(3) Potential future exposure of derivatives contracts	
b. Securities financing transactions (SFTs)	
(1) Adjusted gross value of SFTs	
(2) Counterparty exposure of SFTs	
c. Other assets	
d. Gross notional amount of off-balance-sheet items	
(1) Items subject to a 0% credit conversion factor (CCF)	
(2) Items subject to a 20% CCF	
(3) Items subject to a 50% CCF	
(4) Items subject to a 100% CCF	
e. Regulatory adjustments	
f. Total exposures indicator (total exposures prior to regulatory adjustments; sum of items 2.a.(1) through 2.c., 0.1 times 2.d.(1), 0.2 times 2.d.(2), 0.5 times 2.d.(3), and 2.d.(4))	

### *Interconnectedness Indicators*

<b>Section 3 - Intra-Financial System Assets</b>	<b>Amount</b>
a. Funds deposited with or lent to other financial institutions	

(1) Certificates of deposit	
b. Unused portion of committed lines extended to other financial institutions	
c. Holdings of securities issued by other financial institutions:	
(1) Secured debt securities	
(2) Senior unsecured debt securities	
(3) Subordinated debt securities	
(4) Commercial paper	
(5) Equity securities	
(6) Offsetting short positions in relation to the specific equity securities included in item 3.c.(5)	
d. Net positive current exposure of securities financing transactions with other financial institutions	
e. Over-the-counter derivatives with other financial institutions that have a net positive fair value:	
(1) Net positive fair value	
(2) Potential future exposure	
f. Intra-financial system assets indicator (sum of items 3.a, 3.b through 3.c.(5), 3.d, 3.e.(1), and 3.e.(2), minus 3.c.(6))	
<b>Section 4 - Intra-Financial System Liabilities</b>	<b>Amount</b>
a. Funds deposited by or borrowed from other financial institutions	
(1) Deposits due to depository institutions	
(2) Deposits due to non-depository financial institutions	
(3) Loans obtained from other financial institutions	
b. Unused portion of committed lines obtained from other financial institutions	
c. Net negative current exposure of securities financing transactions with other financial institutions	
d. Over-the-counter derivatives with other financial institutions that have a net negative fair value:	
(1) Net negative fair value	
(2) Potential future exposure	
e. Intra-financial system liabilities indicator (sum of items 4.a.(1) through 4.d.(2))	
<b>Section 5 - Securities Outstanding</b>	<b>Amount</b>
a. Secured debt securities	
b. Senior unsecured debt securities	
c. Subordinated debt securities	
d. Commercial paper	
e. Certificates of deposit	
f. Common equity	
g. Preferred shares and any other forms of subordinated funding not captured in item 5.c.	
h. Securities outstanding indicator (sum of items 5.a through 5.g)	
<b>Substitutability/Financial Institution Infrastructure Indicators</b>	
<b>Section 6 - Payments made in the reporting year (excluding intragroup payments)</b>	<b>Amount</b>
a. Australian dollars (AUD)	
b. Brazilian reais (BRL)	
c. Canadian dollars (CAD)	



d. Swiss francs (CHF)	
e. Chinese yuan (CNY)	
f. Euros (EUR)	
g. British pounds (GBP)	
h. Hong Kong dollars (HKD)	
i. Indian rupee (INR)	
j. Japanese yen (JPY)	
k. Mexican pesos (MXN)	
l. Swedish kronor (SEK)	
m. United States dollars (USD)	
n. Payments activity indicator (sum of items 6.a through 6.l)	
<b>Section 7 - Assets Under Custody</b>	
	<b>Amount</b>
a. Assets under custody indicator	
<b>Section 8 - Underwritten Transactions in Debt and Equity Markets</b>	
	<b>Amount</b>
a. Equity underwriting activity	
b. Debt underwriting activity	
c. Underwriting activity indicator (sum of items 8.a and 8.b)	
<b>Complexity Indicators</b>	
<b>Section 9 - Notional Amount of Over-the-Counter (OTC) Derivatives</b>	
	<b>Amount</b>
a. OTC derivatives cleared through a central counterparty	
b. OTC derivatives settled bilaterally	
c. OTC derivatives indicator (sum of items 9.a and 9.b)	
<b>Section 10 - Trading and Available-for-Sale Securities</b>	
	<b>Amount</b>
a. Held-for-trading (HFT) securities	
b. Available-for-sale (AFS) securities	
c. Trading and AFS securities that meet the definition of Level 1 assets	
d. Trading and AFS securities that meet the definition of Level 2 assets, with haircuts	
e. Trading and AFS securities indicator (sum of items 10.a and 10.b, minus the sum of 10.c and 10.d)	
<b>Section 11 - Level 3 Assets</b>	
	<b>Amount</b>
a. Level 3 assets indicator (assets valued for accounting purposes using Level 3 measurement inputs)	
<b>Cross-Jurisdictional Activity Indicators</b>	
<b>Section 12 - Cross-Jurisdictional Claims</b>	
	<b>Amount</b>
a. Cross-jurisdictional claims indicator (total foreign claims on an ultimate risk basis)	
<b>Section 13 - Cross-Jurisdictional Liabilities</b>	
	<b>Amount</b>
a. Foreign liabilities (excluding derivatives and local liabilities in local currency)	
(1) Any foreign liabilities to related offices included in item 13.a	

b. Local liabilities in local currency (excluding derivatives activity)
c. Cross-jurisdictional liabilities indicator (sum of items 13.a and 13.b, minus 13.a.(1))

### **Ancillary Data**

<b>Section 14 - Ancillary Indicators</b>	<b>Amount</b>
a. Total liabilities	
b. Retail funding	
c. Wholesale funding dependence ratio (the difference between items 14.a and 14.b, divided by 14.a)	
d. Total gross revenue	
e. Total net revenue	
f. Foreign net revenue	
g. Gross value of cash provided and gross fair value of securities provided in SFTs	
h. Gross value of cash borrowed and gross fair value of securities borrowed in SFTs	
i. Gross positive fair value of over-the-counter (OTC) derivatives transactions	
j. Gross negative fair value of OTC derivatives transactions	

**Amount in single units**

k. Number of jurisdictions	
<b>Section 15 - Ancillary Items</b>	<b>Amount</b>
e. Held-to-maturity securities	
f. Payments made in the reporting year	
(1) New Zealand dollars (NZD)	
(2) Russian roubles (RUB)	

### **Memorandum Items**

<b>Section 16 - Size Items</b>	<b>Amount</b>
a. Account value for variable insurance products with minimum guarantees, gross of reinsurance	
b. Account value for variable insurance products with minimum guarantees, net of reinsurance	
c. Total exposures, including insurance subsidiaries	
d. Exposures of insurance subsidiaries:	
(1). On-balance-sheet insurance assets	
(2) Potential future exposure of derivatives contracts for insurance subsidiaries	
(3) Unconditionally cancellable commitments for insurance subsidiaries	
(4) Other off-balance-sheet commitments for insurance subsidiaries	
(5) Investment value in consolidated entities	

<b>Section 17 - Interconnectedness Items</b>	<b>Amount</b>
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a. Book value of equities for which a market price is unavailable
b. Certificates of mutual banks issued
c. Minority interest
d. Interconnectedness with institutions that are strictly securities brokers, assets
e. Interconnectedness with institutions that are strictly securities brokers, liabilities
f. Standby letters of credit extended to other financial institutions
g. Standby letters of credit obtained from other financial institutions
h. Net positive current exposure of SFTs with other financial institutions ( <u>revised definition</u> )
i. Net negative current exposure of SFTs with other financial institutions ( <u>revised definition</u> )
j. Intra-financial system assets, including insurance subsidiaries
(1) Funds deposited with or lent to other financial institutions
(2) Unused portion of committed lines extended to other financial institutions
(3) Holdings of securities issued by other financial institutions
(4) Net positive current exposure of SFTs with other financial institutions
(5) OTC derivatives with other financial institutions that have a net positive fair value
k. Intra-financial system liabilities, including insurance subsidiaries
(1) Funds deposited by or borrowed from other financial institutions
(2) Unused portion of committed lines obtained from other financial institutions
(3) Net negative current exposure of SFTs with other financial institutions
(4) OTC derivatives with other financial institutions that have a net negative fair value
l. Securities outstanding, including the securities issued by insurance subsidiaries

<b>Section 18 - Substitutability/Financial Infrastructure Items</b>	<b>Amount</b>
a. Payments made as a correspondent for other banks	
(1) Australian dollars (AUD)	
(2) Brazilian reais (BRL)	
(3) Canadian dollars (CAD)	
(4) Swiss francs (CHF)	
(5) Chinese yuan (CNY)	
(6) Euros (EUR)	
(7) Pounds sterling (GBP)	
(8) Hong Kong dollars (HKD)	
(9) Indian rupees (INR)	
(10) Japanese yen (JPY)	
(11) Swedish kronor (SEK)	
(12) United States dollars (USD)	
(13) Mexican pesos (MXN)	
(14) New Zealand dollars (NZD)	
(15) Russian roubles (RUB)	
b. Trading volume of securities issued by sovereigns	
c. Trading volume of securities issued by other public sector entities	
d. Trading volume of other fixed income securities	
e. Trading volume of listed equities	

f. Trading volume of all other securities	
g. Initial margin posted to central counterparties (CCPs) on behalf of clients	
h. Initial margin posted to CCPs for the reporting group's own account	
i. Default fund contributions to CCPs	
j. Other facilities to CCPs	
k. Provision of settlement services in connection with centrally cleared transactions	
<b>Section 19 - Complexity Items</b>	<b>Amount</b>
a. Notional amount of over-the-counter (OTC) derivatives, including insurance subsidiaries	
b. Foreign liabilities on an immediate risk basis (including derivatives)	
(1) Foreign derivative liabilities on an immediate risk basis	
<b>Section 20 - Cross-Jurisdictional Activity Items</b>	<b>Amount</b>
a. Foreign derivative claims on an ultimate risk basis	
b. Foreign liabilities on an immediate risk basis (including derivatives)	
(1) Foreign derivative liabilities on an immediate risk basis	
<b>Section 21 – Short-term Funding Items</b>	<b>Amount</b>
a. Secured funding captured in the liquidity coverage ratio (LCR):	
(1) Funding backed by Level 1 liquid assets	
(2) Funding backed by Level 2A liquid assets	
(3) Funding backed by Level 2B liquid assets	
(4) Funding backed by non-HQLA	
(5) ABS, structured financing instruments, ABCP, conduits, SIVs and other such funding activities	
(6) Collateral swaps	
b. Unsecured wholesale funding captured in the LCR:	
(1) Operational deposits from non-financial entities	
(2) Operational deposits from financial institutions	
(3) Non-operational deposits from non-financial entities	
(4) Non-operational deposits from financial institutions and unsecured debt issuance	
c. Secured funding captured in the net stable funding ratio (NSFR):	
(1) Secured funding with a maturity of less than 6 months	
(2) Secured funding with a maturity of between 6 months and 1 year	
d. Unsecured wholesale funding captured in the NSFR with a maturity of less than 6 months:	
(1) Operational deposits from non-financial entities	
(2) Operational deposits from financial institutions	
(3) Non-operational deposits and non-deposit unsecured funding from non-financial entities	
(4) Non-operational deposits and other wholesale funding from financial institutions	
f. Unsecured wholesale funding captured in the NSFR with a maturity between 6 months and 1 year	
(1) Operational deposits from non-financial entities	
(2) Operational deposits from financial institutions	
(3) Non-operational deposits and non-deposit unsecured funding from non-financial entities	
(4) Non-operational deposits and other wholesale funding from financial institutions	

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**Checks Summary**

<b>Section 22 - Indicator Values</b>	<b>Indicator value in million EUR</b>
a. Section 2 – Total exposures indicator	
b. Section 3 – Intra-financial system assets indicator	
c. Section 4 – Intra-financial system liabilities indicator	
d. Section 5 – Securities outstanding indicator	
e. Section 6 – Payments activity indicator	
f. Section 7 – Assets under custody indicator	
g. Section 8 – Underwriting activity indicator	
h. Section 9 – OTC derivatives indicator	
i. Section 10 – Trading and AFS securities indicator	
j. Section 11 – Level 3 assets indicator	
k. Section 12 – Cross-jurisdictional claims indicator	
l. Section 13 – Cross-jurisdictional liabilities indicator	
m. Other sections	
(1) Item 1.a - General information provided by the supervisory authority	
(2) Item 1.b - General information provided by the reporting institution	
(3) Section 14 - Ancillary indicators	
(4) Section 15 - Ancillary items	
(5) Section 16 - Size items	
(6) Section 17 - Interconnectedness items	
(7) Section 18 - Substitutability/financial infrastructure items	
(8) Section 19 - Complexity items	
(9) Section 20 - Cross-jurisdictional activity items	
(10) Section 21 - Short-term funding	

## 7. Accompanying documents

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### Cost-benefit analysis/impact assessment

This analysis provides the reader with an overview as regards problem identification, possible options to remove problems and their potential impacts. The quantitative analysis relies on information collected by the EBA for the identification and classification of G-SIIs. This allows to evaluate the impact in terms of the score computed at bank level of the new methodology.

#### Problem identification

The current methodology for the identification of the global systemic importance of banks relies on the evaluation of five broad aspects of the banks: size, interconnectedness, substitutability, cross-jurisdictional activity and complexity.

The cross-jurisdictional indicator is aimed to cover the additional burden shaped by a bank's distress or failure due to coordination difficulties between different countries with possible different legislative frameworks. The rationale is that the international impact of a bank's failure would be higher the greater a bank's global reach is, given the difficulties to coordinate its resolution.

Currently, cross-border activities held by European banks in Member States of the European Union (EU) or the Euro Banking Union (EBU) contributes to the cross-jurisdictional indicator. By comparison, activities that US banks hold in states different from the home state, are not included in the indicator.

The BCBS was asked to analyse the possibility of considering the EU or the EBU as a single jurisdiction in the G-SIB methodology. This could have been justified by the fact that the EBU benefits from a single regulatory framework in terms of capital requirements, as well as banking resolution. For the EBU, this uniform regulation is complemented by a single supervisor and a single resolution authority. However, in its July 2018 revision, the BCBS decided not to modify the G-SIB methodology in this sense.

During the three years review period of the G-SIB framework, the BCBS verified that treating the EBU as a single jurisdiction would reduce cross-jurisdictional claims and liabilities for EBU banks. Consequently, the cross-jurisdictional activity indicator would most likely be lower for EBU banks and, via the impact on denominators, higher for all non-EBU banks.

#### Policy objectives

Article 131 of Directive (EU) 2019/878 requires the EBA to develop an additional methodology for the identification of the G-SIIs that excludes the cross-border activities of European banks in EBU member states. The rationale of this request is to recognize the efforts done in the last years to

create a European harmonised banking regulation and a common approach on resolution. This initiative would also contribute to ensure a level playing field with banks in other jurisdictions where different states are not considered different jurisdictions. It would also reduce a possible curb to the expansions of cross-border banking activities among EBU countries.

The introduction of an additional methodology has some advantages, though it also brings the disadvantage of representing a potential deviation from the BCBS standard.

### **Baseline scenario**

The analysis is incremental: the assessments are formulated in differential terms with respect to a basic scenario, consisting of maintaining the status quo. The costs and benefits are therefore strictly connected to the changes that the regulatory option entails.

Although the ‘no policy change’ scenario is not feasible given the clear mandate in the Regulation, this represents the natural scenario against which the impacts of policy options can be compared.

### **Options considered**

The options considered are three, although the no-change option is not available in practice due to the legislator explicit mandate:

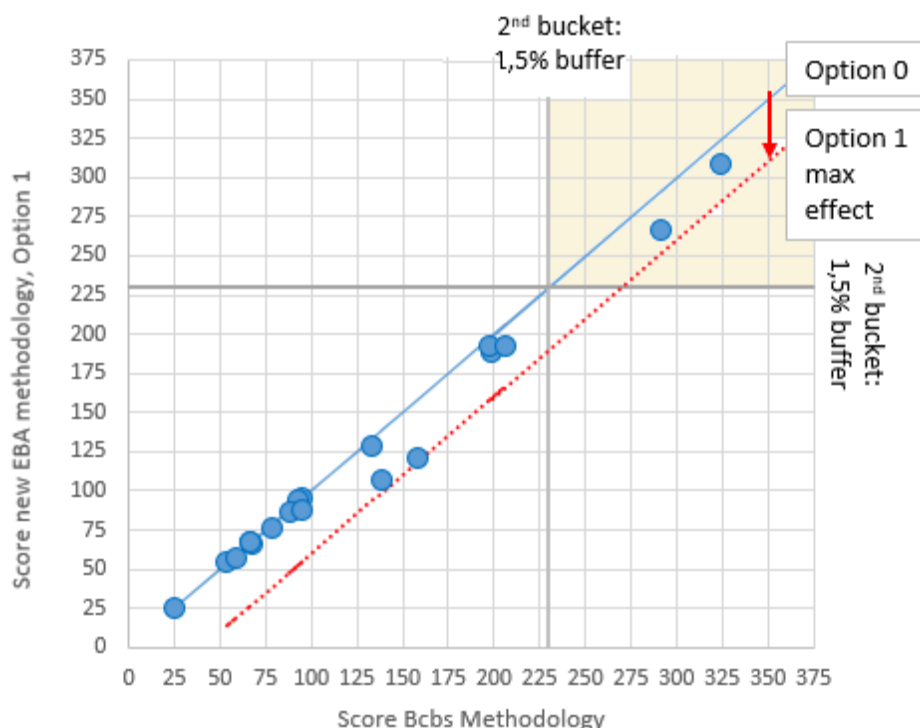
0. No change.
1. Adopt the proposed methodology, either with a cap that could be formulated as an absolute or relative cap, or without a cap.
2. Adopt the proposed methodology considering also the impact of different FX conversion methods.

### **Cost-benefit analysis**

The proposed methodology and the eventual correction for the impact of FX conversion does not involve additional data collection so no additional material/administrative costs for banks are expected and neither of the two options would result in making reporting more complicated.

The following chart compares the score computed for the European banks with the basic BCBS methodology and the proposed methodology. The data are referred to as of end-2018. As expected, in terms of the computation of the G-SII score, the result is a reduction when compared to the original G-SIB score given by the BCBS framework. For the 12 European banks identified as G-SIIs, the average variation of the score is about -8 basis points. For half of the banks contributing to the G-SII annual identification exercise, the score variation is practically null while the higher variation reduction is close to -40 basis points. Evidence thus suggests that, without prejudice of future mergers or acquisitions development, no European Banking Union G-SII is currently in the condition to benefit from the EU additional methodology to assign G-SII buffer rates.

Since the new methodology envisages to sterilise any variation of the score that would induce the buffer to fall below 1%, it makes sense to focus only on banks associated with a buffer higher than 1%. It is possible to see that only two banks are classified in this bucket and that the new methodology would not alter the classification. Also applying to these banks the highest variation observed, still, the classification would not change based on the latest available exercise.



Source: EBA (bank-specific information) and BIS (global denominators)

The impacts of the proposed methodology are mitigated by setting a maximum admissible variation to the score (cap). In this case, only banks which score is already near to bucket thresholds would be affected.

The table below shows some theoretical examples of how the proposed methodology could impact with and without the cap of 10 points.

Pure G-SIB score	Bucket allocation (Basel text)	Impact of EBU cross-border exposures	Maximum score reduction of 10 bps	Revised G-SIB score according to EU additional methodology	Potential bucket allocation (after EU methodology)
245 bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer	- 17 bps	- 10 bps	235 bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer
261 bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer	- 36 bps	- 10 bps	251 bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer
242 bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer	- 31 bps	- 10 bps	232 bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer



<b>235</b> bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer	- 4 bps	- 4 bps	<b>231</b> bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer
<b>233</b> bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer	- 6 bps	- 6 bps	<b>227</b> bps	1 <sup>st</sup> bucket: 1% CET1 G-SIB buffer

An additional correction to the proposed methodology could take in consideration different exchange rate conversion methodologies. On the grounds of the data used for the identification and classification of G-SIBs used by the BCBS for the last three years (2016, 2017, 2018), it can be observed that the average variation of the score due to this correction would be null. The highest impact on the score observed along the three years is a reduction by 11 points. Focusing on EBU banks only, the average variation of the score would still be zero but with lower dispersion, in practice the impacts are contained between 0 and 3 points.

Shifts in bucket allocation, thus in lower buffer requirements, would be possible to observe only for banks which score is already close to a bucket threshold.

Revised G-SIB score according to EU additional methodology	Potential bucket allocation after EU methodology	FX conversion methods impact (average change compared to baseline)	Revised G-SIB score according to EU additional methodology (w/ FX)	Potential bucket allocation after EU methodology (w/ FX)
<b>235</b> bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer	+ 3 bps	<b>238</b> bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer
<b>251</b> bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer	+ 2 bps	<b>253</b> bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer
<b>232</b> bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer	+ 2 bps	<b>234</b> bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer
<b>231</b> bps	2 <sup>nd</sup> bucket: 1,5% CET1 G-SIB buffer	- 3 bps	<b>228</b> bps	1 <sup>st</sup> bucket: 1% CET1 G-SIB buffer
<b>227</b> bps	1 <sup>st</sup> bucket: 1% CET1 G-SIB buffer	- 2 bps	<b>225</b> bps	1 <sup>st</sup> bucket*: 1% CET1 G-SIB buffer

### Preferred option

Option 1 envisages a mechanism aimed to limit the deviation in respect of the baseline methodology, however banks receiving a buffer equal to 1% would not benefit of any effect due to the proposed methodology. Introducing a cap to the score variation seems to fit the need to balance between the request to recognize the EBU as a homogeneous jurisdiction and the need to not introduce excessive differences in comparison with the BCBS approach.

On the ground of the evidence gathered during the last years, modifying the methodology taking in consideration different exchange rate conversion methodologies could have limited impact so that the increase in complexity may not be justified.

In conclusion, the option 1 appears to be the most suitable solution to the problem of finding a compromise between recognizing an advantage for European banks due to the banking union and avoiding diverging significantly from the BCBS methodology.

## Overview of questions for consultation

The baseline scenario for the EU additional methodology to allocate the G-SII buffer to identified G-SIIs warrants that the EU keeps its framework in line with the G-SIB framework set out by the BCBS. The EBA further discussed whether the EU additional methodology should limit supervisors' ability to potentially reduce the EU additional score or the resulting G-SII bucket allocation (or subcategory allocation), through sound use of supervisory judgment. Namely, the following options were considered:

- a) A 10 basis points of maximum reduction for the new EU additional G-SII score, meaning that if the original G-SIB score was of 260 bps, the EU additional score would be set within the range of 250 and 260 bps (observed past two years reduction at bank-level was on average of 12 basis points).
- b) A proportional reduction to the actual observed reduction from the original G-SII score to the new EU additional G-SII score. This proportional reduction could be calibrated at 25%, meaning that the EU additional score would result in a score lower than the original Basel score in a magnitude equal to 25% of the observed score reduction when excluding cross-border activity within the European Banking Union (e.g. a reduction of the G-SIIs score of 40 bps due to the European Banking Union cross-border exposures would translate into a 10 bps actual reduction of the score).
- c) A maximum reduction of one bucket, meaning that if the original allocation for a G-SII was for bucket 3 (or subcategory 3), the exercise of sound supervisory judgment would potentially allow for an allocation of that G-SII to bucket 2 (or subcategory 2) but not for a lower bucket (in this case, bucket/subcategory 1).

**Q1: *The EBA is interested in collecting views on whether the baseline scenario is appropriate and balanced between the need to recognize the European Banking Union integration process and the strong desire to apply and fully adhere to Basel international standards. Should respondents be more towards favouring options a), b) or c), kindly comment on whether the proposed range(s) is either i) appropriate, ii) too wide, or iii) too narrow. Answers to question and options laid described above are most welcome when considering the need and intention of the EBA to stay as closely aligned with the international standards as possible.***

Not included in the baseline scenario for the EU additional methodology is the potential need to consider the impact of different FX conversion methods. Bank-specific scores are affected by

exchange rate fluctuations, which could be seen as another dimension feeding into the systemic footprint to be assessed in the G-SII identification exercise. On the other hand, it seems reasonable to argue that the method chosen to convert different exchange rates into one single base currency (i.e. the Euro) should be neutral in terms of bank-specific impact. However, the reality is that considering different FX conversion methods could have led to different bank-specific scores across the years. Variations between -16 and +15 bps of the actual G-SII score for the years of 2017 and 2018 would have been observed. In other words, no bank should be penalised by the fact that its reporting currency is not the same as the single base currency used by the G-SII framework to compute global denominators and bank-specific G-SII scores. While this matter may apparently seem unrelated with European Banking Union banks reporting in the base currency of the G-SII framework, the matter becomes particularly sensitive, as it would have delivered in past exercises different bank-specific allocations to G-SII buffer rates. Within the G-SII framework, the different FX conversion methods considered are the average FX rate for the year, the median FX rate for the year, the previous year-end spot FX rate and the current year-end spot FX rate. The latter method is the one currently in use for the baseline G-SII scores.

***Q2: Considering the above, the EBA welcomes views on whether the different FX conversion methods should be taken into account and clearly disclosed when designing the EU additional methodology to assign G-SII buffer rates. For instance, the average bank-specific impact across the alternative FX conversion methods could be taken and applied as a second step of the EU additional methodology, with the view of reaching a final EU revised G-SII score. Additional context about this question and related options is provided in the impact assessment section of this consultation paper.***

***Q3. Do the respondents agree that the proposed implementation of the disclosure required in Article 441 of the CRR fits the purpose of the underlying regulation?***