

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	Norwegian Ministry of Finance
2. Description of the measure	
2.1 Concerned institution or group of institutions	DNB ASA (5967007LIEEXZX78M803) Kommunalbanken AS (I7ETN0QQO2AHZZGHJ389) The measure is applied at the highest level of consolidation.
2.2 Level of the buffer applied	DNB Bank ASA: 2.0 % Kommunalbanken AS: 1.0 %
2.3 Name of the EU ultimate parent institution	The institutions are in both cases the ultimate parent institution.
2.4 Names of subsidiaries	DNB Bank ASA (549300GKFG0RYRRQ1414)
3. Timing of the measure	
3.1 Timing of the Decision	The final decision will be made by the Ministry of Finance after the notification procedure has been completed.
3.2 Timing of the Publication	The final decision will be announced as soon as it is made by the Ministry of Finance.
3.3 Disclosure	The decision will be announced in a press release on the Ministry's website. Letters to the institutions concerned, as well as this notification, will be published together with the press release.
3.4 Timing of Application	31 December 2020. Until now, domestic systemically important institutions have been subject to a 2 % add-on in the systemic risk buffer requirement. The add-on was introduced in 2015-2016.

3.5 Phasing in	N/A
3.6 Review of the measure	Pursuant to Norwegian law, the measure is reviewed annually. The next revision will be undertaken in 2021.
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)	<p>DNB:</p> <ul style="list-style-type: none"> a. Size 3 311 b. Importance 2 755 c. Complexity 5 449 d. Interconnectedness 5 099 <p>Overall score: 4 154</p> <p>Kommunalbanken:</p> <ul style="list-style-type: none"> a. Size 611 b. Importance 178 c. Complexity 530 d. Interconnectedness 775 <p>Overall score: 524</p> <p>Please see the enclosed Excel-file for other institutions' scores.</p>
4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)	<p>In December 2019, the Ministry has adopted a new regulation on the procedure and criteria for identifying and designating systemically important institutions in Norway, implementing Article 131 of the CRD IV. As a general rule, an institution shall be designated as systemically important and required to hold an O-SII buffer of 2 % if it has:</p> <ul style="list-style-type: none"> a) total assets corresponding to at least 20 per cent of Mainland Norway's GDP, or b) a share of the Norwegian lending market of at least 10 per cent. <p>Moreover, an institution shall be designated as systemically important and required to hold an O-SII buffer of 1 % if it has:</p> <ul style="list-style-type: none"> a) total assets corresponding to at least 10 per cent of Mainland Norway's GDP, or b) a share of the Norwegian lending market of at least 5 per cent. <p>Both criteria are mentioned as optional indicators in the EBA guidelines on the assessment of O-SIIs.</p> <p>Pursuant to the Norwegian regulation, institutions may also be designated as systemically important on the basis of, inter alia, their size, scope of operations in Norway and other countries, complexity, role in the financial infrastructure and their interconnectedness with the rest of the financial system. The EBA guidelines on the assessment of O-SIIs are used to assess these matters. To date, the institutions that have met the two main criteria (total assets/GDP and lending market share), have also been the only institutions with a score above 350 points in the EBA methodology. Hence, no decisions have been made based on supervisory judgement.</p>
4.3 Supervisory judgement	N/A

<p>4.4 Calibrating the O-SII buffer</p>	<p>Until 31 December 2019, the regulation's general rule stated that a 2 % add-on in the systemic risk buffer requirement (SRB) should apply for institutions with total assets corresponding to at least 10 per cent of Mainland Norway's GDP or a share of the Norwegian lending market of at least 5 per cent.</p> <p>As discussed in section 4.2, the proposed O-SII buffer is differentiated based on the degree of systemic importance. That is, while institutions which meet the previous criteria (general rule) should be subject to an O-SII buffer of 1 %, the O-SII buffer should be 2 % for institutions scoring at least twice as high on the same objective criteria. Such differentiation is deemed appropriate due to the fact that the largest institution is almost six times larger than the next institution. (When the regulation on systemically important institutions was introduced in 2014, the current Nordea branch was a separate Norwegian bank, which was identified as systemically important and closer in size to DNB.) Moreover, the sum of the new SRB (with institution-specific buffer rates) and the differentiation of the O-SII buffer implies that the overall capital requirements for the two institutions identified as systemically important (DNB and Kommunalbanken), may be maintained at approximately the pre-2020 level in real terms.</p>
<p>4.5 Effectiveness and proportionality of measure</p>	<p>Systemically important institutions have an especially significant role in Norwegian financial system, and for the Norwegian economy. The aim of higher capital requirements for such institutions is to increase their loss-bearing capacity, and thus reduce the risk of the institutions' running into difficulties that can have a severe impact on the financial system and the real economy.</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 measure will promote domestic financial stability in Norway by increasing the resilience of the most important domestic institutions in the financial system. The measure is not expected to have negative consequences on the functioning of the single market.</p>
<p>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>The measure is not expected to contribute to leakages or regulatory arbitrage within the Norwegian financial system. As mentioned above, the sum of the new SRB (with institution-specific buffer rates) and the differentiation of the O-SII buffer implies that the overall capital requirements for the two systemically important institutions may be maintained at approximately the pre-2020 level in real terms (excluding the CCyB).</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>N/A</p>
<p>6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</p>	<p>As all Norwegian institutions, DNB and Kommunalbanken are currently subject to a 3 pct. systemic risk buffer (SRB) requirement for all exposures, which has been effective from 1 July 2014. They are also subject to a 2 pct. add-on for systemic importance, which will be replaced by the new O-SII buffers. As described in a separate notification, the Ministry intends to adopt a new, general SRB of 4.5 pct. for domestic exposures. This will apply from 31 December 2020 for DNB and Kommunalbanken. The O-SII and SRB buffers will be cumulative. DNB is using the Advanced IRB approach, while Kommunalbanken is using the Standardised Approach. For non-systemic institutions not using the Advanced IRB Approach, the SRB buffer rate will be 3 pct. for all exposures until 31 December 2022.</p>

	Both the O-SII buffer and the SRB are applied at the highest consolidation level.
6.3 O-SII requirement for a subsidiary (Article 131.8)	N/A
6.4 Interaction with other measures	No other measures are used to address the same risks.

7. Miscellaneous	
7.1 Contact person(s) at notifying authority	Tormod Fauske Tho, Advisor Phone: +47 22 24 45 11 / +47 22 24 4521 E-mail: tho@fin.dep.no
7.2 Any other relevant information	The Ministry of Finance has submitted three other notifications together with this notification. They notify the intended use of two measures in accordance with Article 458 (10) of the CRR (floors for average risk weights for residential and commercial real estate exposures) and one measure in accordance with Article 133 of the CRD (a systemic risk buffer for exposures in Norway). The latter notification is supplemented by a memo published on the website of the Ministry of Finance on 11 December 2019. The memo details the justification for the buffer and the need for reciprocity by other EEA states, which is also relevant for the measure described in this notification.