



# RTS and Guidelines on the identification of G-SII

Public Hearing 3 February 2014

# Outline

1. The BCBS G-SIB identification methodology
2. Art. 131 CRD IV: General outline of a G-SII identification methodology
3. The draft RTS on G-SII identification
4. The draft ITS and Guidelines on disclosure
5. The BCBS D-SIB identification principles
6. Guidelines on O-SII assessment

# 1. The BCBS G-SIB identification methodology

Scoring based on 5 equally weighted indicators, with 12 sub-indicators:

- |    |  |            |
|----|--|------------|
| 1. | <b>Size</b>  | <b>20%</b> |
| 2. | <b>Interconnectedness</b>                            | <b>20%</b> |
| a) | Intra-financial system assets                        | 6.67%      |
| b) | Intra-financial system liabilities                   | 6.67%      |
| c) | Securities outstanding                               | 6.67%      |
| 3. | <b>Substitutability</b>                              | <b>20%</b> |
| a) | Assets under custody                                 | 6.67%      |
| b) | Payments activity                                    | 6.67%      |
| c) | Underwritten transactions in debt and equity markets | 6.67%      |
| 4. | <b>Complexity</b>                                    | <b>20%</b> |
| a) | Notional amount of OTC derivatives                   | 6.67%      |
| b) | Level 3 assets                                       | 6.67%      |
| c) | Trading and available-for-sale                       | 6.67%      |
| 5. | <b>Cross-jurisdictional activities</b>               | <b>20%</b> |
| a) | Cross jurisdictional claims                          | 10%        |
| b) | Cross-jurisdictional liabilities                     | 10%        |

## 2. Art. 131 (2) CRD IV: General Outline of a G-SII identification methodology



Scoring based on the very same 5 indicators (“categories”), however without specifying sub-indicators:

1. Size of the group
  2. Interconnectedness of the group with the financial system
  3. Substitutability of the services or of the financial infrastructure provided by the group
  4. Complexity of the group
  5. Cross-border activity of the group
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- Each category shall receive an *equal weighting* and shall consist of *quantifiable indicators*.
  - The methodology shall produce an *overall score* for each entity.
  - Draft RTS to specify the methodology *taking into account internationally agreed standards*

### 3. The draft RTS on G-SII identification methodology

- ❑ Conclusion: Legislator intended methodology to be substantially the same as developed (and updated) by the BCBS.
- ❑ To obtain scores, a uniform sample of institutions and denominators used to normalise indicator values is needed.
- ❑ EBA governing bodies: no divergence between Basel G-SIBs and EU G-SIIs list (as far as jurisdictions taking part in the BCBS exercise are concerned), no additional burden on institutions.

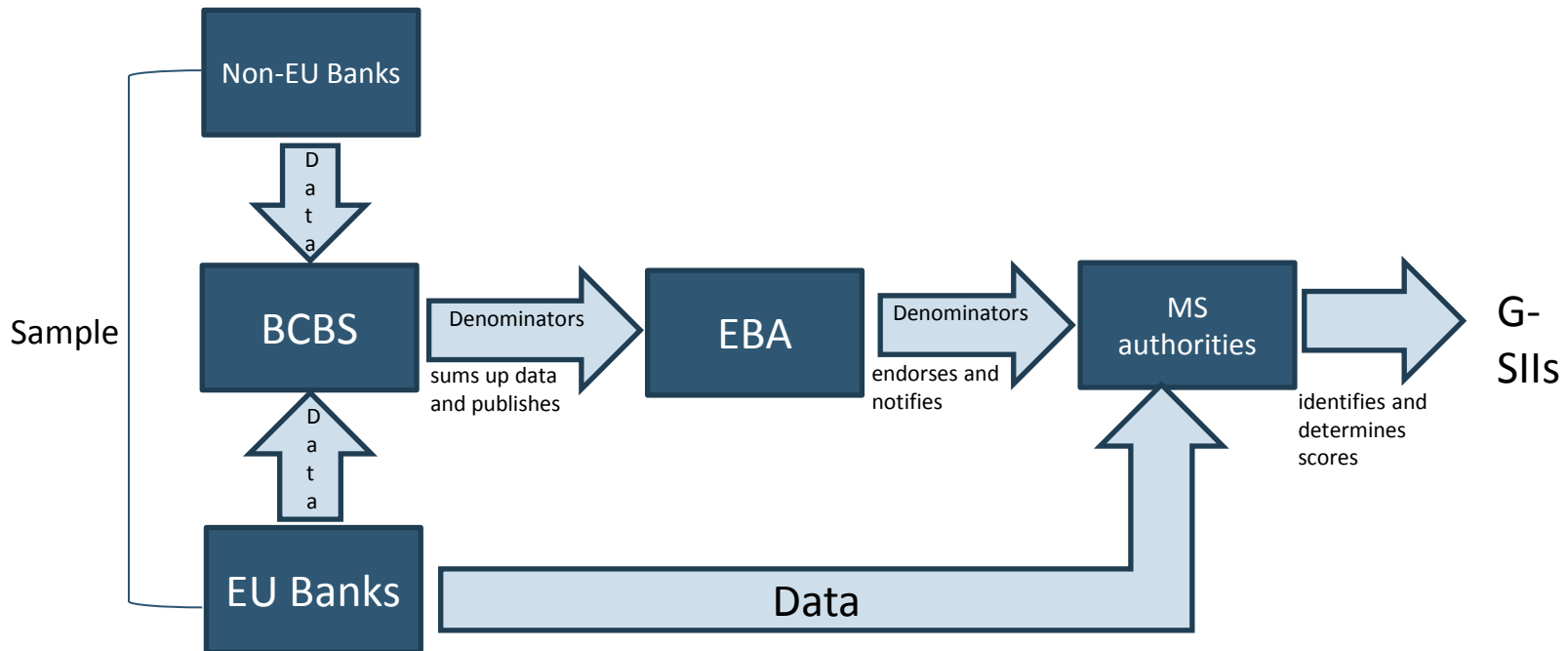
#### Consequences for the draft: RTS should

- Replicate the BCBS methodology.
- Apply the same (sub-)indicators.
- Use the same sample of institutions and denominators, including third country banks in the sample.

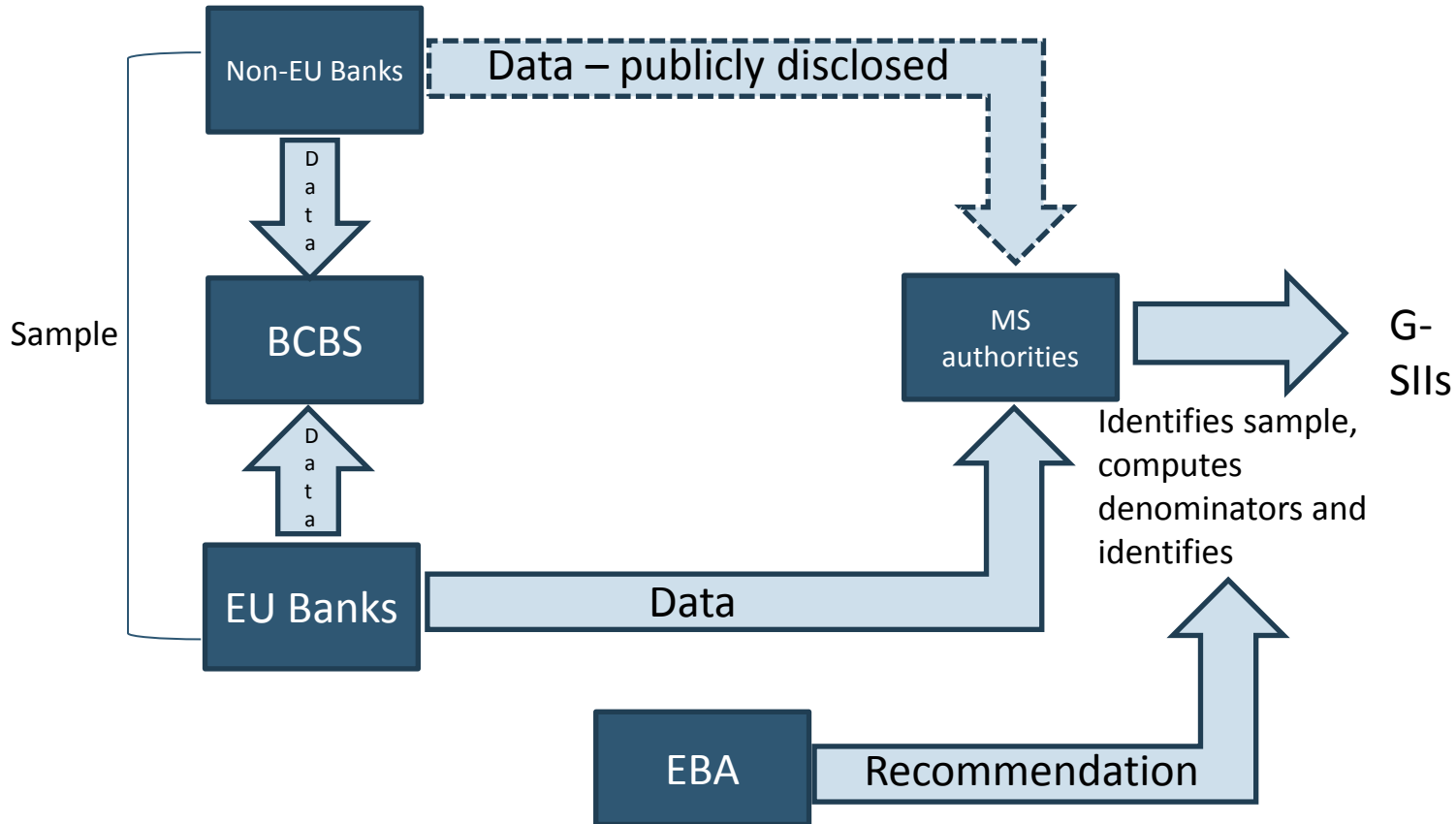
### 3. The draft RTS on G-SII identification methodology

- ❑ Denominators are derived from data from EU and third country banks and need to be **updated each year**.
  
- ❑ One year between publication of G-SIB list and application of buffer requirement to give firms time to adjust – rules in CRC IV for the coming into force of the buffer requirement not clear.

### 3. The draft RTS on G-SII identification methodology – process for providing unified parameters involving the EBA?

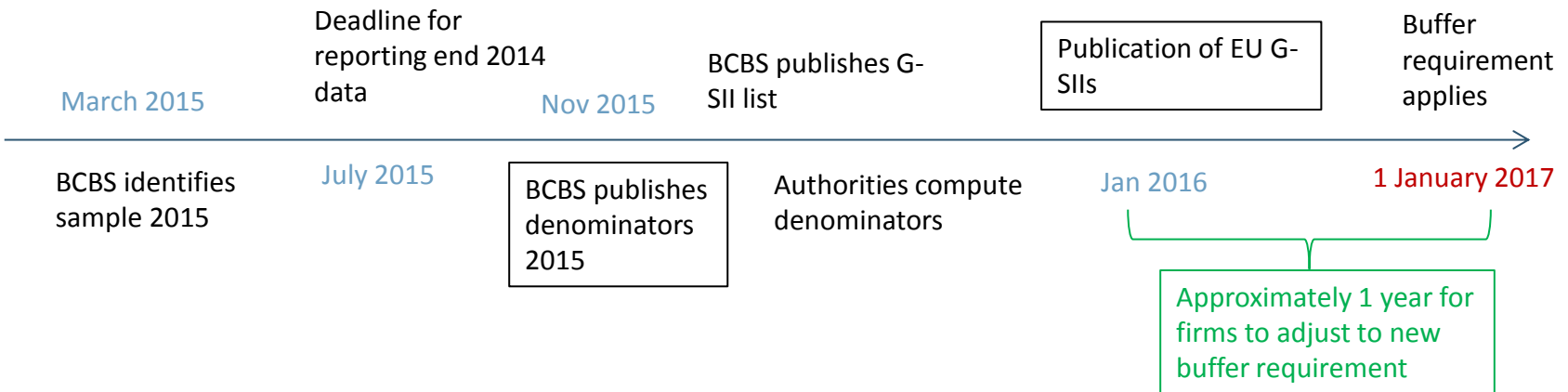


### 3. The draft RTS on G-SII identification methodology – parameters computed by Member States' authorities?





### 3. The draft RTS on G-SII identification methodology – timeline of the identification process



RTS comes into force in 2015 (for buffer requirement as from 1 January 2016), identification process takes place twice in 2015

### 3. The draft RTS on G-SII identification methodology – way forward



- ❑ Public consultation started in December, the deadline for submitting comments is 28 February.
- ❑ Deadline for submission of the draft RTS is 30 June 2014, adoption by Commission and finalisation not earlier than end 2014.
- ❑ RTS comes into force in 2015 (for buffer requirement as from 1 January 2016), identification process takes place twice in 2015.

## 4. The draft ITS and Guidelines on Disclosure

ITS mandate in Art. 441 CRR speaks only of G-SIIs, which leads to questions:

- ❑ Disclosure before any G-SIIs have been identified?
  - ❑ To identify the sample (75 largest banks), total exposure is needed.
  - ❑ Basel requires publication of indicators for banks with total exposure exceeding 200 billion Euros.
  - ❑ Disclosure of indicators or also sub-indicators?
  - ❑ Updates of instructions how to complete template.
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- ITS and Guidelines to address all these questions.
  - Disclosure of an identical set of data as required by Basel.



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