

In case of discrepancies between the French and the English text, the French text shall prevail

CSSF Regulation N° 15-06 concerning systemically important institutions authorised in Luxembourg

The Executive Board of the Commission de Surveillance du Secteur Financier,

Having regard to Article 108a of the Constitution;

Having regard to the Law of 23 December 1998 establishing a financial sector supervisory commission ("Commission de surveillance du secteur financier"), and in particular Article 9(2) thereof;

Having regard to the Law of 5 April 1993 on the financial sector ("LFS") and in particular Article 59-1, Article 59-3 pursuant to which the CSSF, as designated authority and after consultation with the BCL, is in charge of identifying the systemically important institutions which have been authorised in Luxembourg and Article 59-9 pursuant to which the CSSF, after consultation with the BCL, may require systemically important institutions, other than global, to maintain an additional capital buffer;

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 thereof;

Having regard to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions ("SSM Regulation"), and in particular Article 5 thereof;

Having regard to Commission Delegated Regulation (EU) No 1222/2014 of 8 October 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;

Having regard to the Guidelines of the European Banking Authority (EBA/GL/2014/10) of 16 December 2014 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) ("EBA Guidelines");

Having regard to the opinion of the Systemic Risk Board (CRS/2015/002) of 16 November 2015 on the activation and calibration of the buffer for the other systemically important institutions;

Having regard to the decision of the ECB, adopted pursuant to Article 5 of the SSM Regulation, not to object to the CSSF's intention to take the macro-prudential measures set out in this regulation;

Having regard to the opinion of the Consultative Committee for Prudential Regulation.

Decides:

Article 1
Identification of global systemically important institutions

None of the institutions authorised in Luxembourg referred to in Article 1(11a) of the LFS, hereinafter "CRR institutions", has been identified as a global systemically important institution within the meaning of Article 59-3 of the LFS.

Article 2
Identification of the other systemically important institutions

In accordance with Article 59-3(6) of the LFS, the methodology described in the EBA Guidelines of 16 December 2014 and the opinion of the Systemic Risk Board of 16 November 2015 as appended, six CRR institutions authorised in Luxembourg have been identified as other systemically important institutions within the meaning of Article 59-3 of the LFS.

Five CRR institutions have been identified as other systemically important institutions based on their score, obtained in accordance with the EBA Guidelines and exceeding the threshold set specifically for Luxembourg at 325 points. A sixth CRR institution has been identified as other systemically important institution as a result of its score, which is below but close to the threshold, its contribution to the Luxembourg economy, its exposure to the real estate market and its large base of Luxembourg deposits.

The other systemically important institutions are the following:

Denomination	Score
Banque et Caisse d'Épargne de l'État, Luxembourg	587
Banque Internationale à Luxembourg - BIL	296
BGL BNP Paribas	576
CACEIS Bank Luxembourg	403
Deutsche Bank Luxembourg S.A.	924
Société Générale Bank & Trust	897

Article 3
Buffers for the other systemically important institutions

The buffer rates for the other systemically important institutions shall be applicable as from 1 January 2016, and phased in over three years, according to the following table:

Denomination	Buffer rate as at 1 January 2016	Buffer rate as at 1 January 2019
Banque et Caisse d'Epargne de l'Etat, Luxembourg	0.125%	0.50%
Banque Internationale à Luxembourg - BIL	0.125%	0.50%
BGL BNP Paribas	0.125%	0.50%
CACEIS Bank Luxembourg	0.125%	0.50%
Deutsche Bank Luxembourg S.A.	0.25%	1%
Société Générale Bank & Trust	0.25%	1%

Article 4
Entry into force

This regulation shall enter into force on 1 January 2016.

Article 5
Publication

This regulation shall be published in the Mémorial and on the website of the Commission de Surveillance du Secteur Financier.

Luxembourg, 30 November 2015

COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER

Claude SIMON
Director

Andrée BILLON
Director

Simone DELCOURT
Director

Jean GUILL
Director General

Annex: Opinion of the Systemic Risk Board of 16 November 2015 on the activation and calibration of the buffer for the other systemically important institutions (CRS/2015/002)

Annex:

OPINION OF THE SYSTEMIC RISK BOARD

of 16 November 2015

**on the activation and calibration of the buffer for the other systemically important institutions
(CRS/2015/002)**

THE SYSTEMIC RISK BOARD,

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 thereof;

Having regard to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, and in particular Article 5 thereof ("SSM Regulation");

Having regard to the Guidelines of the European Banking Authority on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU in relation to the assessment of other systemically important institutions (O-SIIs) ("EBA Guidelines");

Having regard to the Law of 5 April 1993 on the financial sector, and in particular Articles 59-3 and 59-9 thereof ("Law of 5 April 1993");

Having regard to the Law of 1 April 2015 establishing a Systemic Risk Board and amending the Law of 23 December 1998 concerning the monetary status and the Banque centrale du Luxembourg (Central Bank of Luxembourg), as amended, and in particular Article 2(c) and (h) and Article 7 thereof ("SRB Law");

Having regard to the internal rules of the Systemic Risk Board of 16 November 2015, and in particular Articles 9 and 11 thereof;

HAS ADOPTED THIS OPINION:

Part I: Buffers for the other systemically important institutions "O-SIIs"

This opinion is delivered by the Systemic Risk Board having regard to its legal obligation to state its opinion on setting buffers for the other systemically important institutions ("O-SIIs") in accordance with a request from the CSSF.

1) Activation and calibration of O-SII buffers

Having regard to the different quantitative analyses and qualitative assessments of the CSSF and the BCL, and in particular the application of the methodology described in Annex I and in accordance with Articles 59-3 and 59-9 of the Law of 5 April 1993, the Systemic Risk Board is of the opinion:

- 1) to activate the buffer for O-SIIs; and
- 2) to set buffer rates for O-SIIs in accordance with Annex II.

2) Implementation of the O-SII buffer

The Systemic Risk Board endorses the CSSF's request to activate the O-SII buffer as set out in the previous article, as from 1 January 2016.

In order to ensure consistency of the implementation framework for Luxembourg O-SII buffers with the one for global systemically important institutions, as recommended by the principles established by the Basel Committee, the Systemic Risk Board is of the opinion that a phasing-in of O-SII buffers is appropriate.

The recommended phasing-in period spans from 1 January 2016 until the final implementation on 1 January 2019, as described in Annex II.

3) Notifications of O-SIIs

In accordance with Article 59-3(7) of the Law of 5 April 1993, the Systemic Risk Board invites the CSSF to notify the introduction of O-SII buffers to the relevant authorities.

4) Publication

The Systemic Risk Board invites the secretariat to publish its opinion on the SRB's website¹.

Part II: Implementation of the Opinion of the Systemic Risk Board

1. Interpretation

- (a) The terms used in this opinion shall have the same meaning as in the Law of 5 April 1993.
- (b) The Annexes are an integral part of this opinion.

2. Follow-up

(1) The Systemic Risk Board invites the CSSF as addressee of this opinion, to communicate, as soon as possible, the measures taken in response to this opinion, to the Systemic Risk Board via the secretariat.

3. Monitoring and assessment

- (1) The secretariat of the Systemic Risk Board:
 - (a) shall assist the CSSF, including by facilitating coordination of the measures taken in response to this opinion; and
 - (b) shall prepare a report on the follow-up on this opinion and inform the Systemic Risk Board thereof.
- (2) The Systemic Risk Board shall assess and follow up on the responses of the CSSF to this opinion.

Done in Luxembourg, 16 November 2015.

The Chairman of the Systemic Risk Board

¹ As the SRB's website is currently under construction, the opinion will be published on the websites of the BCL and the CSSF.

Annex I Identification methodology and buffer calibration

The CSSF liaised with the BCL for the identification of O-SIIs in accordance with Article 59-3 of the Law of 5 April 1993 and the methodology set out in the EBA Guidelines.

Article 59-3(5) of the Law of 5 April 1993 provides that O-SIIs shall be identified on an individual, sub-consolidated or consolidated basis, as applicable, and shall be an EU parent institution, an EU parent financial holding company, an EU parent mixed financial holding company or a CRR institution.

The methodology for identifying O-SIIs shall be based on the following indicators and weights.

Table 1: Criterion, indicator and weight of the identification methodology

Criterion	Indicator	Weight
Size	Total assets	25.00%
Importance, including substitutability/financial system infrastructure	Value of domestic payment transactions	8.33%
	Private sector deposits from depositors in the EU	8.33%
	Private sector loans to recipients in the EU	8.33%
Complexity/cross-border activity	Value of OTC derivatives (notional)	8.33%
	Cross-jurisdictional liabilities	8.33%
	Cross-jurisdictional claims	8.33%
Interconnectedness	Intra-financial system liabilities	8.33%
	Intra-financial system assets	8.33%
	Debt securities outstanding	8.33%

The relevant authorities shall calculate the score of each institution by:

- (a) dividing the indicator value of each individual relevant entity by the aggregate amount of the respective indicator values summed across all institutions in the Member State (the "denominators");
- (b) multiplying the resulting percentages by 10,000 to express the indicator scores in terms of basis points;
- (c) calculating the category score for each relevant entity by taking a simple average of the indicator scores in that category;
- (d) calculating the overall score for each relevant entity by taking a simple average of its four category scores.

The buffer calibration methodology is a statistical approach based on a linear regression and a readjustment framework in order to maintain consistency between O-SII buffers and G-SII buffers. The developed methodology provides for four sub-categories with a cut-off score of 325 basis points, which is lower than the threshold proposed by the EBA Guidelines.

Table 2: Sub-categories, range and applied buffer for O-SIIs

Sub-category	Score range	Applied buffer
1	$325 \leq \text{score} < 650$	0.5%
2	$650 \leq \text{score} < 975$	1.0%
3	$975 \leq \text{score} < 1300$	1.5%
4	$1300 \leq \text{score}$	2.0%

Five institutions have been identified as O-SIIs based only on their score (obtained in accordance with the EBA Guidelines) and exceeding the threshold set specifically for Luxembourg at 325 points. A sixth institution has been identified as O-SII as a result of its score, which is below but close to the threshold, its contribution to the Luxembourg economy, its exposure to the real estate market and its large base of Luxembourg deposits.

Annex II - List of other systemically important institutions (O-SIIs)

in accordance with the provisions of Article 59-3 of the Law of 5 April 1993 and the methodology set out in the EBA Guidelines

Denomination ²	Address	Overall score as at 31 December 2014	Buffer rate as at 1 January 2019	Buffer rate as at 1 January 2016
Banque et Caisse d'Epargne de l'Etat, Luxembourg	1-2, Place de Metz L-1930 Luxembourg Luxembourg	587	0.5%	0.125%
Banque Internationale à Luxembourg - BIL	69, route d'Esch L-1470 Luxembourg Luxembourg	296	0.5%	0.125%
BGL BNP Paribas	50, avenue J.F. Kennedy L-2951 Luxembourg Luxembourg	576	0.5%	0.125%
CACEIS Bank Luxembourg	5, Allée Scheffer L-2520 Luxembourg Luxembourg	403	0.5%	0.125%
Deutsche Bank Luxembourg S.A.	2, Boulevard Konrad Adenauer L-1115 Luxembourg Luxembourg	924	1%	0.25%
Société Générale Bank & Trust	11, avenue Emile Reuter L-2420 Luxembourg Luxembourg	897	1%	0.25%

² Classification in alphabetical order.