

▼B**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

(Text with EEA relevance)

*Article 1***Subject matter and scope**

This Regulation specifies the methodology in accordance with which the authority referred to in Article 131(1) of Directive 2013/36/EU (hereinafter referred to as ‘relevant authority’) of a Member State shall identify, on a consolidated basis, a relevant entity as a global systemically important institution (G-SII), and the methodology for the definition of subcategories of G-SIIs and the allocation of G-SIIs to those subcategories based on their systemic significance and, as part of the methodology, timelines and data to be used for the identification.

*Article 2***Definitions**

For the purpose of this Regulation, the following definitions apply:

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- (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, of an EU parent financial holding company or of an EU parent mixed financial holding company;

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- (2) ‘Indicator value’ means for each indicator set out in Article 6 and for each relevant entity of the sample the individual value of the indicator and for each bank authorised in a third country a comparable individual value publicly disclosed in accordance with internationally agreed standards;
- (3) ‘Denominator’ means for each indicator the total aggregate value of the indicator values of the relevant entities and banks authorised in third countries of the sample;
- (4) ‘Cut-off score’ means a score value determining the lowest boundary and the boundaries between the five subcategories as defined in Article 131(9) of Directive 2013/36/EU.

▼B*Article 3***Common parameters for the methodology**

1. The EBA shall identify a sample of institutions or groups whose indicator values are to be used as reference values representing the global banking sector for the purpose of calculating the scores, taking into account internationally agreed standards, in particular the sample used by the Basel Committee on Banking Supervision for the identification of global systemically important banks and shall notify relevant authorities of the relevant entities included in the sample by 31 July of each year.

The sample shall consist of relevant entities and banks authorised in third countries and comprise the 75 largest of them, based on the total exposure as defined in Article 6(1), as well as relevant entities that were designated as G-SIIs and banks in third countries that were designated as global systemically important in the previous year.

The EBA shall exclude or add relevant entities or banks authorised in third countries, if and to the extent necessary to ensure an adequate reference system for assessing systemic significance reflecting the global financial markets and the global economy, taking into account internationally agreed standards including the sample used by the Basel Committee on Banking Supervision.

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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 of the European Parliament and of the Council ⁽¹⁾, above EUR 200 billion that is authorised within its jurisdiction to the EBA not later than 31 July of 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 of the European Parliament and of the Council ⁽²⁾. The relevant authority shall ensure that the indicator values are identical to those submitted to the Basel Committee on Banking Supervision.

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3. The EBA shall compute the denominators, based on the indicator values reported by the relevant authority pursuant to paragraph 2, taking into account internationally agreed standards, in particular the denominators published by the Basel Committee on Banking Supervision for that year, and notify them to relevant authorities. The denominator of an indicator shall be the aggregate amount of the indicator values across all relevant entities and banks authorised in third countries in the sample, as reported for the relevant entities pursuant to paragraph 2 and disclosed by the banks authorised in third countries on 31 July of the relevant year.

⁽¹⁾ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

⁽²⁾ 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, p. 12).

▼ M2*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 and 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 judgement, reallocates a G-SII from a lower subcategory to a higher subcategory or designates a relevant entity as a G-SII in accordance with points (a) or (b) of Article 131(10) of Directive 2013/36/EU, respectively, the relevant authority shall provide the EBA with a detailed statement in written form on the reasons for its assessment not later than 1 November of each year.

3. Where the relevant authority, in the exercise of sound supervisory judgement, reallocates 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 provide the EBA with a detailed statement in written form on the reasons for its assessment not later than 30 September of each year.

4. The reallocation or designation referred to in paragraph 2 shall take effect as of 1 January of the second year following the calendar year in which the denominators have been notified to the relevant authorities in accordance with Article 3(3). Where a G-SII is allocated to a lower subcategory than in the previous year's identification process, the lower G-SII buffer requirement shall take effect from 1 January of the year following that reallocation, unless the relevant authority exerts its sound supervisory judgement to delay the application of that requirement to the date referred to in the first sentence of this paragraph.

5. The identification of a relevant entity as a G-SII by the relevant authority shall include the Legal Entity Identifiers (LEIs) of all legal entities included in the prudential scope of consolidation of the G-SII. The relevant entity identified by the relevant authority shall disclose to the relevant authority by 1 March of the year following the year of the identification exercise its group structure by providing the LEIs, where available, of all consolidated entities in the group. The relevant entity shall ensure that its group structure as disclosed through the global LEI database is permanently updated.

▼ B*Article 5***Identification as G-SII, determination of the scores and allocation to subcategories**

1. The indicator values shall be based on reported data of the relevant entity of the preceding financial year-end, on a consolidated basis, and for banks authorised in third countries on data disclosed in accordance with internationally agreed standards. Relevant authorities may use indicator values of relevant entities whose financial year-end is 30 June based on their position on 31 December.

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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 base points for the category measuring the substitutability. Each category score 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 scores shall be expressed in base points and shall be rounded to the nearest whole base point.

3. The lowest cut-off score shall be 130 base points. The subcategories shall be allocated as follows:

(a) subcategory 1 shall encompass scores from 130 to 229 base points;

(b) subcategory 2 shall encompass scores from 230 to 329 base points;

(c) subcategory 3 shall encompass scores from 330 to 429 base points;

(d) subcategory 4 shall encompass scores from 430 to 529 base points;

(e) subcategory 5 shall encompass scores from 530 to 629 base points.

4. The relevant authority shall identify a relevant entity as a G-SII where the score of that entity is equal to or higher than the lowest cut-off score. A decision to designate a relevant entity as a G-SII in the exercise of sound supervisory judgment in accordance with Article 131(10)(b) of Directive 2013/36/EU shall be based on an assessment of whether its failure would have a significant negative impact on the global financial market and the global economy.

5. The relevant authority shall allocate a G-SII to a subcategory in accordance with its score. A decision to re-allocate a G-SII from a lower subcategory to a higher subcategory in the exercise of sound supervisory judgment in accordance with Article 131(10)(a), of Directive 2013/36/EU shall be based on an assessment whether its failure would have a higher negative impact on the global financial market and the global economy.

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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(1) of Regulation (EU) No 806/2014 of the European Parliament and of the Council⁽¹⁾ by following the process set out in paragraph 2 of this Article, but shall replace the relevant entity's indicator values referred to in Article 6(5), points (a) and (b) with those calculated in accordance with the second subparagraph of this paragraph, and shall replace the corresponding denominators with the revised denominators provided by the EBA.

⁽¹⁾ 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).

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For the purposes of the first subparagraph, the relevant authority shall consider as domestic all claims and liabilities vis-à-vis counterparties established in participating Member States as referred to in Article 4(1) of Regulation (EU) No 806/2014. For the categories referred to in Art 131(2), points (a) to (d), of Directive 2013/36/EU, the relevant authority shall consider the same unchanged indicator values reported by the relevant entity and denominators notified by the EBA.

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

The additional overall score referred to in paragraph 5a may determine the reallocation of the G-SII by the relevant authority to the next lower subcategory as referred to in paragraph 3 of this Article. The reallocation of the G-SII to a lower subcategory shall be limited to a maximum of one subcategory level.

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 will fail. Such decisions shall be based on well-documented and verifiable quantitative and qualitative information.

▼ M1*Article 6***Indicators**

1. The category measuring the size of the group shall consist of one indicator equal to the total exposure of the group.

2. The category measuring the interconnectedness of the group with the financial system shall consist of all of the following indicators:

- (a) intra-financial system assets;
- (b) intra-financial system liabilities;
- (c) securities outstanding.

3. The category measuring the substitutability of the services or of the financial infrastructure provided by the group shall consist of all of the following indicators:

- (a) assets under custody;
- (b) payments activity;
- (c) underwritten transactions in debt and equity markets.

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4. The category measuring the complexity of the group shall consist of all of the following indicators:

- (a) notional amount of over-the-counter derivatives;
- (b) assets included in the level 3 of fair-value measured in accordance with Delegated Regulation (EU) No 1255/2012 ⁽¹⁾;
- (c) trading and available-for-sale securities.

5. The category measuring the cross border activity of the group shall consist of the following indicators:

- (a) cross-jurisdictional claims;
- (b) cross-jurisdictional liabilities.

6. For data reported in currencies other than the Euro, the relevant authority shall use an appropriate exchange rate taking into account the reference exchange rate published by the European Central Bank applicable on 31 December and international standards. For the payment activity indicator as referred to in paragraph 3(b), the relevant authority shall use the average exchanges rates for the relevant year.

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*Article 8***Entry into force**

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

It shall apply from 1 January 2015.

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

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⁽¹⁾ Commission Regulation (EU) No 1255/2012 of 11 December 2012 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 12, International Financial Reporting Standards 1 and 13, and Interpretation 20 of the International Financial Reporting Interpretations Committee (OJ L 360, 29.12.2012, p. 78).