

FINANCIAL REGULATION

2015 G-SIBs list: Three main changes versus 2014 list

Arturo Fraile / Georgi Ivanov / Lucía Pacheco

The Financial Stability Board (FSB) has updated today the list of global systemically important banks (G-SIBs). There are three significant changes versus the previous list released in November 2014: i) Royal Bank of Scotland changes from the 1.5% bucket to the lowest bucket of 1%; ii) China Construction Bank enters the list for the first time in the 1% bucket and iii) BBVA exits the list.

The main implications of being designated as a G-SIB

- 1) The G-SIBs identified in the 2015 list will be required to meet higher capital requirements from 1 January 2017.** The requirements will apply to the G-SIBs fourteen months after the FSB releases its yearly updated list. In that vein, the first binding list published in 2014 will be used to determine the capital surcharge that will apply from 1 January 2016.
- 2) G-SIBs will also have to comply with Total Loss Absorbing Capacity (TLAC) requirements** aimed at ensuring that these entities, if necessary, would be resolved in an orderly way minimizing the cost for the taxpayers. The final standard of the TLAC is expected to be disclosed next 9 November. TLAC capital surcharge will be phased-in from 1 January 2019.
- 3) G-SIBs are subject to** group-wide resolution planning and regular resolvability assessments, higher supervisory expectations for risk management functions, risk data aggregation capabilities, risk governance and internal controls.

Figure 1
G-SIBs capital requirements: the big picture

Bucket	Score range	Capital buffer requirement	Phase-in for the capital buffer requirement	
5	530-629	+3.5% CET1	2016	25%
4	430-529	+2.5% CET1	2017	50%
3	330-429	+2.0% CET1	2018	75%
2	230-329	+1.5% CET1	2019	100%
1	130-229 or Supervisory judgement	+1.0% CET1		

Source: BBVA Research based on the Basel Committee of Banking Supervision (BCBS).

The three main changes versus 2014 list

i) Royal Bank of Scotland changes from the 1.5% bucket to the lowest 1% bucket composed by 19 entities.

ii) China Construction Bank enters the list for the first time in the 1% bucket.

iii) BBVA exits the list. BBVA has been in the list from 2012 to 2014 due to supervisory judgement. The exit is also due to supervisory judgement.

Table 1
G-SIBs list from 2011 to 2015

Entities	Capital Surcharge (% of CET1/RWAs)				
	2011*	2012	2013	2014	2015
HSBC	*	2.5	2.5	2.5	2.5
JP Morgan	*	2.5	2.5	2.5	2.5
Barclays	*	2	2	2	2
BNP Paribas	*	2	2	2	2
Citigroup	*	2.5	2	2	2
Deutsche Bank	*	2.5	2	2	2
Bank of America	*	1.5	1.5	1.5	1.5
Crédit Suisse	*	1.5	1.5	1.5	1.5
Goldman Sachs	*	1.5	1.5	1.5	1.5
Mitsubishi	*	1.5	1.5	1.5	1.5
Morgan Stanley	*	1.5	1.5	1.5	1.5
Agricultural Bank of China				1	1
Bank of China	*	1	1	1	1
Bank of NY Mellon	*	1.5	1	1	1
BPCE	*	1	1	1	1
China Construction Bank					1 NEW
Crédit Agricole	*	1	1.5	1	1
ICBC			1	1	1
ING	*	1	1	1	1
Mizuho	*	1	1	1	1
Nordea	*	1	1	1	1
RBS	*	1.5	1.5	1.5	1 ▼
Santander	*	1	1	1	1
Société Générale	*	1	1	1	1
Standard Chartered		1	1	1	1
State Street	*	1	1	1	1
Sumitomo	*	1	1	1	1
UBS	*	1.5	1.5	1	1
Unicredit	*	1	1	1	1
Wells Fargo	*	1	1	1	1
BBVA		1	1	1	OUT
Commerzbank	*				
Dexia	*				
Lloyds	*				
Total entities	29	28	29	30	30

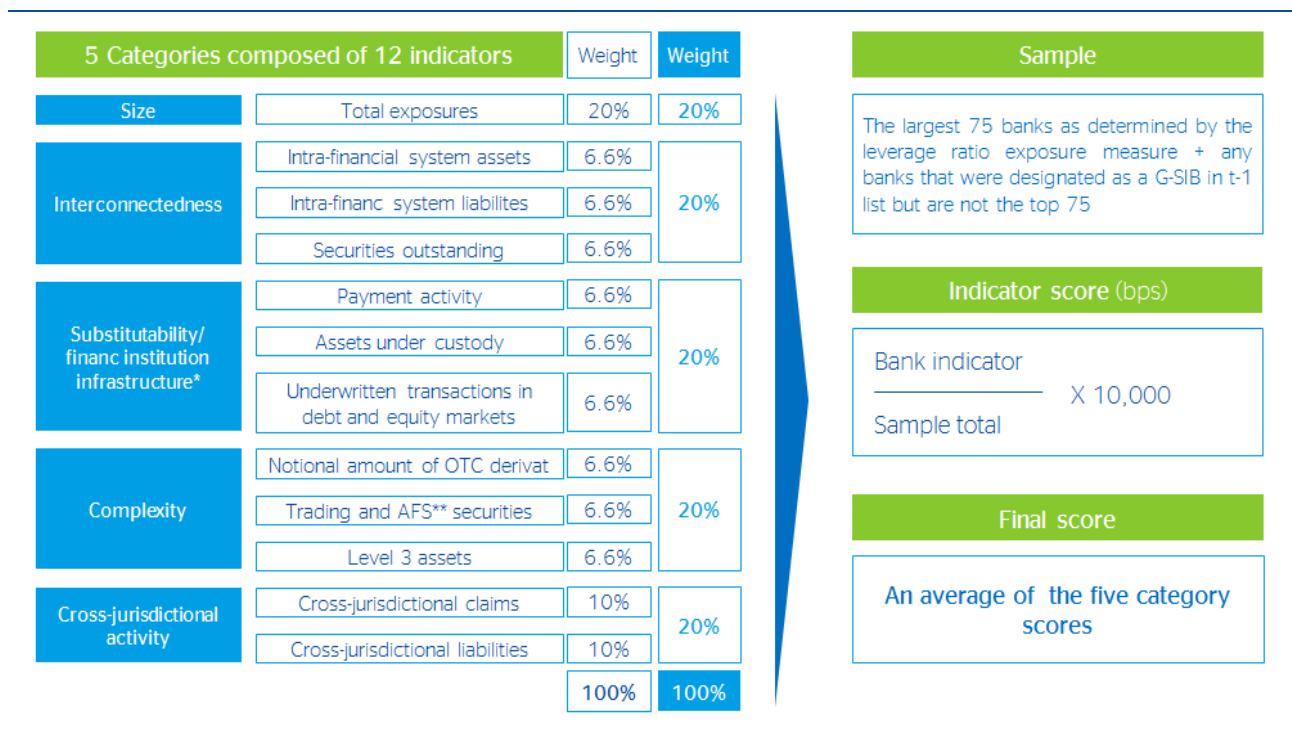
* No bucket released for the 2011 list. CET1: Core Equity Tier 1 Capital. RWAs: Risk Weighted Assets.
Source: BBVA Research based on FSB

A summary of the GSIB Methodology

There are two possibilities for an entity to be designated G-SIB:

- a) Exceeding the **quantitative systemic risk threshold** (130 bps) established by BCBS. The total score is based on five equally weighted categories (size, complexity, interconnectedness, substitutability and cross-jurisdictional activity).
- b) Not exceeding the cut-off score but the supervisor considers that the entity has to be designated G-SIB. It should be pointed that the supervisor is empowered to include in the list entities that do not surpass the systemic risk threshold; however, the supervisor cannot take out entities that overcome the quantitative systemic risk threshold.

Figure 2
An overview of the BCBS score calculation



* The substitutability/financial institution infrastructure category score is subject to a 500 bps cap. ** AFS: Available for sale.

Source: BBVA Research based on the Basel Committee of Banking Supervision (BCBS).

Other relevant information released today

Jointly with the update of the G-SIB list, the BCBS has published the G-SIB **denominators** and the data of the G-SIB **assessment sample** for the end-2014 exercise. This sample covers the largest 75 banks as determined by the Basel III leverage ratio exposure measure plus any banks that were designated as a G-SIB in the previous year but are not otherwise part of the top 75 that are used for calculating global denominators.

The FSB has also released the 2015 update of the global systemically important **insurers** (G-SIIs).

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