REGULATION

2014 G-SIFIS list: few changes but finally binding for G-SIB capital purposes

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30 G-SIBs will face a capital surcharge from 2016

The new G-SIB list reflects a few changes with respect to the 2013 list (see table below). This is due to three effects: (1) better data, (2) changes in some banks activity, and (3) supervisory judgment:

- **List gets expanded by one new member** (Agricultural Bank of China), up to a total of **30 G-SIBS.**
- **Two banks descend one bucket from 2 to 1**: UBS and Credit Agricole Group.

Table 1

G-SIB list 2012, 2013 and 2014 updates

		2012	2013	2014
5	(3.5%)	(Empty)	(Empty)	(Empty)
4	(2.5%)	Citigroup Deutsche Bank HSBC JP Morgan	HSBC JP Morgan	HSBC JP Morgan
3	(2.0%)	Barclays BNP Paribas	Barclays BNP Paribas Citigroup Deutsche Bank	Barclays BNP Paribas Citigroup Deutsche Bank
2	(1.5%)	Bank of America Bank of NY Mellon Crédit Suisse Goldman Sachs Mitsubishi Morgan Stanley RBS UBS	Bank of America Crédit Suisse Goldman Sachs Crédit Agricole Mitsubishi Morgan Stanley RBS UBS	Bank of America Crédit Suisse Goldman Sachs Mitsubishi Morgan Stanley RBS
1	(1.0%)	Bank of China BBVA BPCE Crédit Agricole ING Mizuho Nordea Santander Société Générale Standard Chartered State Street Sumitomo Unicredit Wells Fargo	Bank of China Bank of NY Mellon BBVA BPCE ICBC ING Mizuho Nordea Santander Société Générale Standard Chartered State Street Sumitomo Unicredit Wells Fargo	Agricultural Bank of China NEW Bank of China Bank of NY Mellon BBVA BPCE Group Crédit Agricole ▼ ICBC ING Mizuho Nordea Santander Société Générale Standard Chartered State Street Sumitomo UBS ▼ Unicredit Wells Fargo

Source: BBVA Research based on FSB

But most importantly, according to the FSB G-SIB framework, **this is the first G-SIB list that will be used to determine the capital surcharge that will apply to G-SIBs from January 2016 on**. The G-SIB surcharge (along with other components such as the countercyclical capital buffer as applicable) will expand the 2.5% capital conservation buffer, which is subject to a three-year phase-in period. The applicable buffer will increase each year, starting 1 January 2016, by one quarter of the total buffer, which will be fully phased from 1 January 2019 (see table below).

Table 2

Phase-in period

Year	Applicable capital conservation buffer
2016	25% * [2.5% buffer + G-SIB buffer based on 2014 list]
2017	50% * [2.5% buffer + G-SIB buffer based on 2015 list]
2018	75% * [2.5% buffer + G-SIB buffer based on 2016 list]
2019	100%* [2.5% buffer + G-SIB buffer based on 2017 list]

Source: BBVA Research based on BCBS

In a strict sense these requirements shall not be legally binding until national legislators transpose them into their legal frameworks. However, it is reasonable to expect that such transposition will take place on time due to reputational and peer pressure both at the G-20 level and from the markets.

Also from January 2016, **G-SIBs already identified in 2011 or 2012** will have to meet **higher supervisory requirements** (related to risk management functions, data aggregation capabilities, risk governance and internal controls). **G-SIBs identified in 2013, 2014** and in subsequent revisions will have **three years upon designation** to meet those.

As for the **stricter requirements regarding group-wide resolution planning and resolvability assessments**, G-SIBs identified in 2011 or 2012 already had to implement those along 2013 and 2014. For G-SIBs identified in 2013, 2014 and henceforth, the implementation timelines cover a period of until 2 years upon designation (see Annex II here).

The FSB also published on November 6 the 2014 list for Global systemically important insurers (G-SIIs), with incorporates the same nine insurance companies as in 2013. A decision on the G-SII status of reinsurers has been postponed, pending further development of the methodology, which shall be finalized by November 2015.

Relevant background

In November 2011 the FSB/BCBS issued a new standard for a better regulation of Global Systemically Important Banks (G-SIBs) which sets out higher capital, resolution and supervisory requirements for these financial firms. The first G-SIBs list was issued in November 2011 and ever since gets updated each November. The methodology used to determine the systemic score of banks and therefore their potential inclusion in the G-SIB list (as well as their positioning across the buckets) follows and indicator-based measurement approach, using data from the previous fiscal year-end supplied by banks and validated by national authorities. These indicators and the denominators are then used to calculate a score. The higher the systemic score, the higher the bucket a G-SIB is assigned to in the list and hence the higher the additional capital will be required from the G-SIB (on top of Basel III regular capital buffers).

On November 6 2014 the BCBS also published the following information relevant to the G-SIB identification exercise: (1) a technical summary on the methodology, (2) the denominators used to calculate banks' scores, and (3) the cut-off scores used to allocate the banks to the different buckets.