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The Evolution of EU Systemically Important Banks[1]

Summary

The main objective of this paper is to describe, in both a quantitative and a qualitative way, the systemically important banks in the EU countries. The analysis begins in 2014 when the new legislation came (CRD IV) came into force and covers both global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs). Large banks in the EU may pose systemic risk both globally and locally. The size of G-SIIs is also analysed in relation to the EU27 GDP. In case of O-SIIs the emphasis is put on their diversity across Member States and their dependence on G-SIIs. From the perspective of the Central and Eastern European countries including Poland it is recommended that the EU legislation does not favour large banks that are important globally, but also takes into consideration local banks that play a significant role in the domestic economy. It is the national discretion that is needed when dealing with the problem of systemically important banks.

Keywords: *systemically important banks, macroprudential policy, systemic risk, capital buffer*

EWOLUCJA BANKÓW O ZNACZENIU SYSTEMOWYM W UE

Streszczenie

Głównym celem artykułu jest analiza, w ujęciu ilościowym jak i jakościowym, banków o znaczeniu systemowym w państwach Unii Europejskiej. Badanie obejmuje

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[1] JEL classification codes: G21, G28, K23.

okres od roku 2014, tj. od wejścia w życie dyrektywy CRD IV i uwzględnia globalne instytucje o znaczeniu systemowym (*global systemically important institutions*, G-SIIs) oraz inne instytucje o znaczeniu systemowym (*other systemically important institutions*, O-SIIs). Duże banki w UE mogą generować ryzyko systemowe zarówno w wymiarze globalnym, jak i lokalnym. Analiza G-SIIs przeprowadzona jest także w ujęciu względnym, tj. w relacji do unijnego PKB (UE27). W przypadku O-SIIs pokazano przede wszystkim zróżnicowanie tych banków pomiędzy państwami członkowskimi oraz ich zależność od G-SIIs. Dla państw Europy Środkowej i Wschodniej, w tym Polski, istotne jest, aby prawo unijne nie faworyzowało dużych banków działających globalnie. Trzeba także wziąć pod uwagę banki działające lokalnie, które odgrywają ważną rolę dla gospodarki krajowej. Przy analizie problemu banków o znaczeniu systemowym potrzebna jest zatem swoboda decyzyjna na szczeblu krajowym.

Słowa kluczowe: *banki o znaczeniu systemowym, polityka makroostrożnościowa, ryzyko systemowe, bufor kapitałowy*

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Introduction

Systemic risk can be defined as a risk of disruption to financial services that is caused by an impairment of all or parts of the financial system and has the potential to have serious negative consequences for the real economy[2]. It means in particular that that kind of risk can be caused by a failure of large banking institutions. That is why there exists a group of systemically important banks, whose supervision needs careful attention[3]. In order to avoid a financial crisis that could inevitably have bad consequences for the real economy, macroprudential policy instruments have been introduced. The most important of them are capital buffers that are placed on top of minimum capital. They are intended to be used by banks in times of stress to absorb unexpected losses, so that they are not forced to cut back their vital services to the broader economy[4]. The mission of macroprudential policy is preserving the stability of the financial system (financial stability) by reducing systemic risk and thereby supporting long-term

[2] FSB, IMF, BIS, *Guidance to Assess the Systemic Importance of Financial Institutions, Markets and Instruments: Initial Considerations,* "Report to the G-20 Finance Ministers and Central Bank Governors" 2009, October, p. 2.

[3] BCBS, *Global systemically important banks: revised assessment methodology and the higher loss absorbency requirement*, Bank for International Settlements (BIS) 2018, July, p. 1.

[4] G. Leitner et al., *How usable are capital buffers? An empirical analysis of the interaction between capital buffers and the leverage ratio since 2016*, "Occasional Paper Series, European Central Bank" 2023, No. 329.

sustainable economic growth[5]. In the European Union that policy is run under the provisions[6] of the EU directive known as CRD IV that has been applied since the beginning of 2014. In Poland it came into force in November 2015 after the aforementioned directive was transposed into the national law[7]. On the basis of CRD IV systemically important banks are divided into 2 categories:

– global systemically important institutions[8] (G-SIIs),
– other systemically important institutions (O-SIIs).

G-SIIs are those banks that are large from the global perspective and may pose systemic risk even at a world level. They are identified on a consolidated basis, i.e. each banking group is analysed jointly, using the following categories[9]:

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, including cross-border activity between Member States and between a Member State and a third country.

Once the abovementioned methodology is correctly applied, each banking group gets its individual score that is needed for the identification purposes, as well as to evaluate the buffer rate. It is worth noticing here that the procedure is uniform across all Member States. Next, each bank group is assigned the appropriate buffer rate that strictly results from the relevant score.

Conversely, O-SIIs are those banks that are strategic from the perspective of the domestic economy. O-SIIs are identified using the following categories[10]:

1. size,
2. importance for the economy of the Union or of the relevant Member State,
3. significance of cross-border activities,
4. interconnectedness of the institution or group with the financial system.

5 NBP, *Macroprudential Policy Strategy in Poland*, Warsaw 2019, p. 5.

6 *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*, "Official Journal of the EU of 27" 2013, June, L 176, pp. 338-436 (CRD IV).

7 *USTAWA z dnia 5 sierpnia 2015 r. o nadzorze makroostrożnościowym nad systemem finansowym i zarządzaniu kryzysowym w systemie finansowym*, t.j. Dz.U. z 2024 r., poz. 559, z 2025 r., poz. 146.

8 In the EU regulations and directives the term "institution" means a credit institution (mainly banks) or an investment firm. Since the latter are usually much smaller than the former, systemically important institutions are almost entirely composed of banks.

9 CRD IV, art. 131 para. 2.

10 CRD IV, art. 131 para. 3.

The procedure of the O-SII identification is uniform[11] across all Member States, as with G-SIIs. Each bank gets its individual score and if it exceeds a certain threshold, then the bank automatically becomes the O-SII. However, all the analyses here are carried out at a country level. Moreover, the calculation of the respective buffer rate is left to national discretion.

It is now known that the application of the G-SII buffer has led to an increase in the capital ratios of those banks. In case of a few banks the Common Equity Tier 1 (CET1) ratio went up more than twice[12] between 2008 and 2015. Next, the rises were continued and at the end of 2024 the average CET1 ratio in EU banks totalled[13] 16.1 per cent compared to 15.1 per cent at the end of 2019 and[14] 11.5 per cent at the end of 2014. Naturally, the improvement in capital ratios does should be accompanied by necessary methodological changes. It is the interconnectedness between systemically important banks that needs careful attention from the perspective of the financial stability. It increased during the turbulent period of 2007–2009, and then gradually declined[15]. Nevertheless, the identification procedure of EU systemically important banks needs to be improved further, especially with respect to interconnectedness between banks in the euro area[16]. Higher capital requirements for systemic banks lead to a decrease in perceived systemic risk. It means that there is a negative relationship between the SII buffer level and banks' contribution to systemic risk[17].

1. Global systemically important institutions

There are a few aspects of the G-SIIs methodology that need to be addressed. First, the assets of the banking group are not the only criterion of its systemic importance. Other variables matter as well. Second, the methodology is uniform

[11] EBA, *Guidelines. 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/GL/2014/10.

[12] M. Kruszka, M. Mokrogulski, *Capital Requirements for European Banks of the Systemic Importance*, "Vistula Scientific Quarterly" 2017, Vol. 51, No. 1, pp. 187-204.

[13] EBA, *Risk Assessment Report – June 2025*, https://www.eba.europa.eu/publications-and-media/publications/risk-assessment-report-june-2025 [accessed: 5 August 2025].

[14] EBA, *Risk Assessment of the European Banking System – December 2016*, https://www.eba.europa.eu/ sites/default/files/documents/10180/1315397/908ac3f5-53ef-4c4d-9195-77d9f719ee0d/EBA%20Risk%20 Assessment%20Report_December%202016.pdf [accessed: 5 August 2025].

[15] A.M. Andrieş et al., *Risk spillovers and interconnectedness between systemically important institutions*, "Journal of Financial Stability" 2022, Vol. 58, February, pp. 1-26.

[16] J. Koleśnik, *Systemically Important Banks – Risk Transfer in the Euro Area*, "Journal of Finance and Financial Law" 2023, Vol. 2 (Special Issue), pp. 57-79.

[17] C. Broto et al., *Do Buffer Requirements for European Systemically Important Banks Make Them Less Systemic?,* "International Journal of Central Banking" 2025, Vol. 21, No. 1,pp. 235-272.

across all Member States. Hence, discrimination with respect to particular banking groups is very unlikely. Third, as all the categories have equal weights (20 per cent), some distortions may happen. For example, cross-jurisdictional claims or liabilities (category 5) are usually much smaller in nominal terms than total assets of the banking group (category 1)[18]. So if a bank performs lots of operations abroad compared to other banks, then its score is artificially elevated. But in actual terms such a cross-border activity has an insignificant contribution to the performance of the entire banking group. And finally, each banking group is analysed on the consolidated basis including all its subsidiaries or branches. However, as the decisions on identification and setting the buffer are made by the country that controls a parent bank, some country-specific risks are ignored. Selected data on EU G-SIIs are presented in the table 1.

Table 1. Global systemically important institutions in EU countries over the period 2014-2024. Number of institutions and bank names

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
No. of G-SIIs	14	13	12	12	11	11	11	11	11	10	10
Country and bank name	Germany, Deutsche Bank										
	Spain, BBVA										
	Spain, Santander										
	Sweden, Nordea										
	France, BNP Paribas										
	France, BPCE				France, BPCE						
	France, Credit Agricole										
	France, Societe Generale										
	Italy, Unicredit										
	Netherlands, ING										
	UK, Barclays										
	UK, HSBC										
	UK, RBS										
	UK, Standard Chartered										

Source: own analysis based on EBA data

Data in the table 1 show that all EU G-SIIs come from the Western Europe. Nevertheless, since the banking group is analysed on a consolidated basis, all subsidiaries and branches including those located in Central and Eastern Europe are evaluated jointly. Moreover, the number of G-SIIs steadily declined between 2014 and 2024. Some banks did not grow as fast as their competitors, so their lost their relative significance in the peer group. At the end of the analysed period

[18] EBA, *Global Systemically Important Institutions (G-SIIs)*, https://www.eba.europa.eu/sites/default/files/2024-08/c2d4a35f-e809-4f41-8b82-2c813c5fa15e/end-2023_eba_g-sii_data_disclosure_-_summary_charts.pdf [accessed: 5 August 2025].

the number of global systemically important banks in the European Union was 7 (France: 4 banks, Netherlands: one bank, Spain: one bank, Germany: one bank) plus 3 banks established in the United Kingdom[19]. A decrease in the number of G-SIIs is generally positive information as less banks should trigger lower systemic risk to the financial sector and the real economy.

A decline in the number of banks does not necessarily mean that their contribution to the economy is undoubtedly less significant. It might happen that due to mergers and acquisitions the assets of newly established banks grow more that proportionately, so the systemic risk paradoxically increases. That is why another analysis on the volume of assets and other components of the banking activity needs to be done. The following indicators have been selected:

- total exposures, which is total assets adjusted for i.a. derivatives, off-balance sheet items and securities financing transactions (one of the indicators within the criterion 1),
- payments made in the reporting year (one of the indicators within the criterion 3),
- notional amount of OTC derivatives (one of the indicators within the criterion 4).

Those three indicators are reported by all G-SIIs and their values are assumed to be high for systemically important banks. Figures 1, 2 and 3 respectively present the evolution of those three indicators in 2 dimensions:

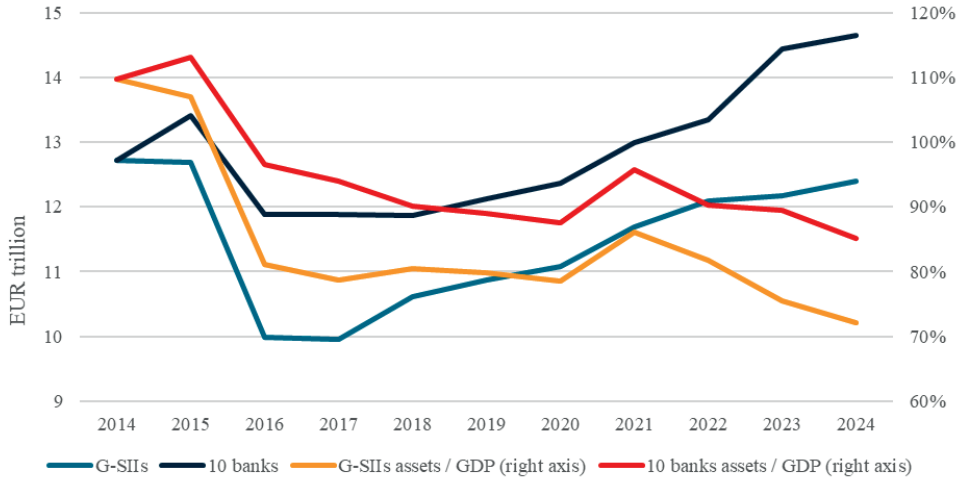
- nominal values and in relation to the EU27 GDP for consecutive years,
- for all G-SIIs (changing composition) and for 10 banks that were identified as G-SIIs in 2014; in both cases the UK banks are excluded.

That is why each diagram contains 4 lines altogether.

The data on G-SIIs show that the volume of their activity has diminished since 2014 (see figures 1, 2 and 3). For example the total exposure of all G-SIIs represented 109.8 per cent of the EU27 GDP in 2014. This ratio steadily declined in consecutive years and reached the level of 72.0 per cent in 2024. Its decrease partly stems from the fact that in 2024 three banks no longer were identified as G-SIIs, compared to 2014. But even if total exposure of all 10 banks are taken into consideration, the ratio falls to 85.2 per cent in 2024, which is still visibly less than in 2014. Similar tendencies were observed in case of payments in the reporting year, as well as notional amount of OTC derivatives. In the former the nominal value in relation to the EU27 GDP fell from 29.3 to 20.3 (or 22.5 for 10 banks) in the analysed period, and in the latter it also went down from 12.9 to 7.8 (or 9.0) respectively. The application of that type of macroprudential instruments has thus contributed to the improvement of the financial stability in the European

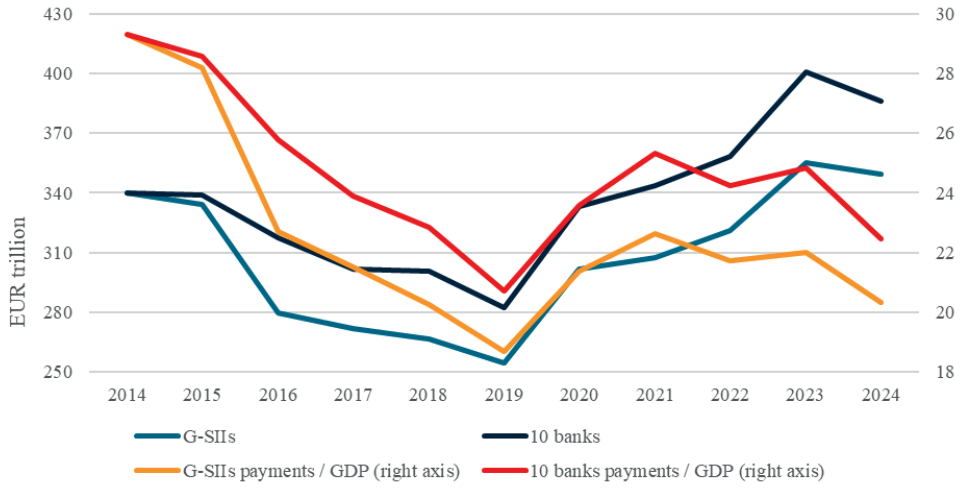
[19] As the data for UK banks have not been published by the European Banking Authority since 2021 due to the Brexit, they are no longer taken into account in the further analysis.

Figure 1. The evolution of total exposure of G-SIIs banks (excluding the UK) over the period 2014-2024. Nominal values and in relation to EU27 GDP



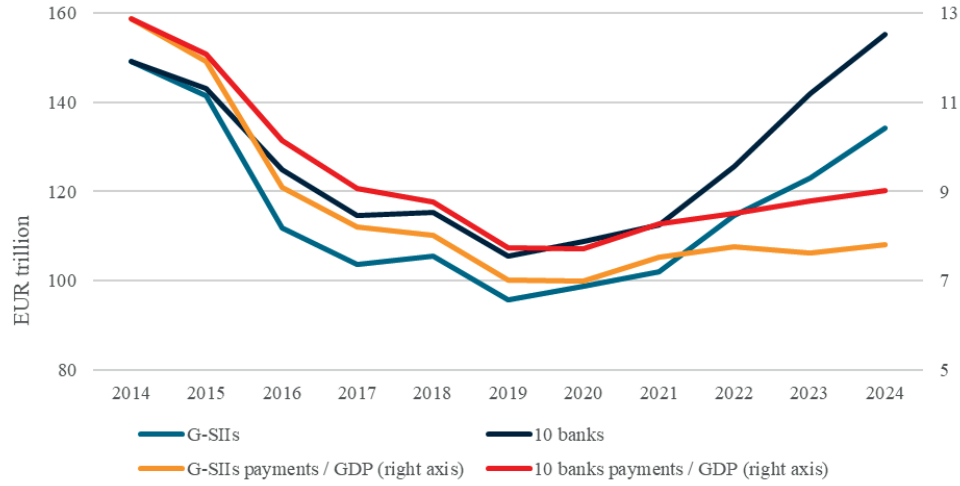
Source: own analysis based on EBA and Eurostat data.

Figure 2. The evolution of annual payments of G-SIIs banks (excluding the UK) over the period 2014-2024. Nominal values and in relation to EU27 GDP



Source: own analysis based on EBA and Eurostat data.

Figure 3. The evolution of OTC derivatives (notional value) of G-SIIs banks (excluding the UK) over the period 2014-2024. Nominal values and in relation to EU27 GDP



Source: own analysis based on EBA and Eurostat data.

Union. Global systemically important banks have decreased their relative size, so the probability that the banking crisis happens and has negative consequences to the real economy is lower.

The capital buffers set on G-SIIs in 2024 are shown in the table 2. It is worth mentioning here that buffers rate directly depend on the score of G-SIIs and are uniform along banking groups. It means that if two banking groups have equal scores, the buffer rates should be the same. However, each Member State can set a higher buffer rate if it realizes that the systemic importance of the banking group is greater than the one estimated by the score. Moreover, a bank could be identified as G-SII even if its overall score is below the threshold[20]. Hence, some very limited freedom is allowed here.

Table 2. Buffer rates set on EU global systemically important institutions. Data for 2024

Country	Bank	G-SII buffer
Germany	Deutsche Bank	1.5%
Spain	Santander	1.0%
France	BNP Paribas	1.5%
	BPCE	1.0%
	Credit Agricole	1.0%
	Societe Generale	1.0%
Netherlands	ING	1.0%

Source: EBA.

[20] CRD IV, art. 131 para. 10.

As the minimum[21] G-SII buffer rate is 1.0 per cent, one can easily come to the conclusion that current buffers are quite low. Nevertheless, the G-SII buffers have so far contributed to a reduction in the systemic risk in the European Union.

2. Other systemically important institutions

The identification of O-SIIs is carried out at a country level. The systemic importance is thus measured in relation to the domestic banking sector. It means in particular than only banks that operate in the same Member State can be compared on the basis of the overall score. Although the minimum threshold[22] has been set at 350 basis points out of 10,000 by the European Banking Authority, it can be slightly modified within certain interval, i.e. 275 – 425 bps. It means that if a bank has a weighted percentage share in the banking sector that is equal to a certain number in between 2.75 per cent and 4.25 per cent with respect to the four categories (i.e. size, importance, cross-border activities and interconnectedness), it is automatically classified as O-SII. The thresholds applied by Member States[23] in[24] 2024 are listed below[25]:

- 275 bps: Austria, Bulgaria, Finland, Hungary (in 2020) and Romania,
- 300 bps: Italy,
- 325 bps: Luxembourg,
- 425 bps: Czech Republic and Latvia,
- 500 bps (i.e. beyond the interval specified by the EBA): France and Slovenia.

Moreover, Norway used their national methodology and Iceland took advantage of the expert judgement. The rest of the countries included in the analysis (i.e. 16 Member States and Liechtenstein) applied the standard threshold of 350 bps. However, each Member State can add further banks to the group of O-SIIs on the basis of, so called, supervisory judgment, even if a bank is not large enough. The opposite situation where some banks should be considered systemically important, but in fact they are not, is forbidden by the law. The data on the EU O-SIIs are presented in the table 3.

[21] CRD IV, art. 131 para. 9.

[22] EBA, *Guidelines. 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/GL/2014/10, p. 3.

[23] The analysis also covers three non-EU countries, namely Iceland, Liechtenstein and Norway. They belong to the European Economic Area and in case of systemically important institutions follow the same regulations as Member States.

[24] For Belgium, France, Greece, Norway and Slovakia the latest data were available for 2023.

[25] ESRB, *Systemically important institutions*, https://www.esrb.europa.eu/national_policy/systemically/ html/index.en.html [accessed: 5 August 2025].

Table 3. Number of other systemically important institutions in Member States over the period 2015-2024

Country	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Austria	7	7	6	7	7	7	7	7	7	7
Belgium	8	8	8	8	8	8	8	8	8	8
Bulgaria	n.a.	10	11	11	8	8	8	8	6	6
Cyprus	6	6	10	10	6	6	6	6	5	5
Czech Republic	7	7	7	7	6	6	5	6	6	7
Germany[a]	16	14	13	13	12	13	14	16	15	14
Denmark	6	6	7	6	7	7	8	8	9	9
Estonia	2	2	4	4	4	4	4	4	4	6
Spain	6	6	5	5	5	5	4	4	4	4
Finland	4	4	3	3	3	3	3	3	3	3
France	6	6	6	6	6	7	7	7	7	7
Greece	4	4	4	4	4	4	4	4	4	4
Croatia	9	9	9	9	7	7	7	7	7	7
Hungary	9	8	8	8	8	8	7	7	7	7
Ireland	2	7	6	6	6	6	6	6	6	6
Iceland	3	3	3	3	3	3	3	3	3	3
Italy	3	3	4	3	4	4	4	4	7	7
Liechtenstein	n.a.	n.a.	n.a.	3	3	3	3	3	3	3
Lithuania	4	4	4	4	3	3	3	4	4	4
Luxembourg	6	6	8	8	8	7	7	6	5	5
Latvia	6	6	6	6	4	4	5	5	5	5
Malta	3	3	3	3	3	4	4	4	4	4
Netherlands	5	5	5	5	5	5	5	5	5	5
Norway	3	3	2	2	2	2	3	3	4	4
Poland	n.a.	12	12	11	9	10	10	10	10	10
Portugal	6	6	6	6	6	6	6	7	7	7
Romania	9	11	11	9	9	8	9	9	9	7
Sweden	4	4	4	5	4	4	4	4	4	4
Slovenia[b]	8	8	7	7	7	6	6	6	6	5
Slovakia	5	5	5	5	5	5	5	6	6	5
United Kingdom	16	16	16	15	15					
Total (excl. UK)	157	183	187	187	172	173	175	181	180	179

[a] Including 2 banks identified as systemically important solely under national law.
[b] Including one bank identified as systemically important solely under national law.
Source: own analysis based on EBA data

The number of O-SIIs identified by individual Member States is generally much higher than the number of respective G-SIIs. It mainly stems from the fact that O-SIIs are much smaller in terms of assets that G-SIIs. It is also important to realize that all EU countries have been participating in that process.

The existing diversity between EU countries with respect to the number of O--SIIs is mainly a consequence of the difference in concentration of the respective banking sectors. For example Finland, Greece and the Netherlands are characterised by fairly concentrated banking sectors and at the same time the number of O-SIIs in those countries does not exceed 5. Conversely, in Austria, Germany, France and Poland, where there are currently at least 7 O-SIIs, the banking sector is quite fragmented[26]. Naturally the differences in the number of O-SIIs could also be explained by arbitrary decisions of particular countries as banks whose score is below a specified threshold (usually 350 bps out of 10,000) can also be identified as systemically important on the basis of the supervisory judgment. In 2024 this option was applied[27] by Austria, Belgium, Germany, Estonia, France, Croatia, Ireland, Italy, the Netherlands, Norway, Poland, Portugal and Romania.

The O-SII buffer rate[28] does not perfectly match with the score of a particular bank. This is mainly a consequence of national discretion that is granted to particular Member States when setting respective buffer rates. The data for the largest (from the perspective of the domestic economy) EU O-SIIs whose weighted market share in the domestic banking sector is at least 25 per cent (i.e. 2,500 out of 10,000) are presented in the table 4. Naturally, a higher score of the bank does not automatically mean that a respective bank is larger on a global scale. It only informs about its greater level of significance for the domestic economy.

Table 4. Selected data on largest (from the domestic perspective) EU[29] other systemically important institutions in 2024

Country	Bank name	O-SII buffer rate	Bank score
Finland	Nordea Bank Abp	2.50%	6,271
Liechtenstein	LGT Bank AG	2.00%	5,738
Denmark	Danske Bank A/S	3.00%	4,812
Netherlands	ING Bank N.V.	2.00%	4,169
Spain	Banco Santander, S.A.	1.25%	4,159
Norway	DNB Bank ASA	2.00%	4,064
Slovenia	Nova Ljubljanska Banka d.d., Ljubljana	1.25%	4,055
Cyprus	Bank of Cyprus Public Company Ltd	2.00%	3,774
Hungary	OTP Bank Nyrt.	2.00%	3,722

[26] ECB, *Banking structural statistical indicators – SSI*, https://data.ecb.europa.eu/data/datasets/ SSI?dataset%5B0%5D=Banking%20Structural%20Financial%20Indicators%20%28SSI%29&advFilterDataset%5B0%5D=Banking%20Structural%20Financial%20Indicators%20%28SSI%29 [accessed: 5 August 2025].

[27] EBA, *Other Systemically Important Institutions (O-SIIs)*, https://www.eba.europa.eu/risk-and-data-analysis/risk-analysis/risk-monitoring/other-systemically-important-institutions-o-siis [accessed: 5 August 2025].

[28] Currently the highest O-SII buffer rate that can be set by Member States totals 3%.

[29] Including Iceland, Liechtenstein and Norway.

Estonia	Swedbank AS	2.00%	3,340
Iceland	Íslandsbanki hf.	3.00%	3,147
Greece	Eurobank Ergasias Services & Holdings S.A.	1.25%	3,012
Croatia	Zagrebačka banka d.d., Zagreb	2.50%	3,004
Iceland	Arion banki hf.	3.00%	2,995
Austria	Erste Group Bank AG	1.75%	2,959
Malta	Bank of Valletta plc	2.00%	2,921
Italy	Gruppo Intesa Sanpaolo	1.25%	2,918
Italy	Unicredit Group	1.50%	2,862
Iceland	Landsbankinn hf	3.00%	2,858
Cyprus	Hellenic Bank Public Company Ltd	1.75%	2,787
Latvia	Swedbank Baltics AS	2.00%	2,734
Lithuania	Swedbank, AB	2.00%	2,662
Sweden	Skandinaviska Enskilda Banken AB	1.00%	2,640
France	BNP PARIBAS (BNPP)	1.50%	2,593
Liechtenstein	Liechtensteinische Landesbank AG	2.00%	2,567

Source: own analysis based on EBA data.

A few conclusions can be drawn from the above data. First, at a general level one may observe that there does not exist a direct correlation between the score of a bank and its buffer rate. Second, largest O-SIIs from the domestic perspective, namely Nordea Bank Abp from Finland and LGT Bank AG from Liechtenstein were not assigned the highest buffer rate in 2024 even though their market shares exceeded 50 per cent. And finally, the highest O-SII buffer, i.e. 3 per cent was set on one Danish bank, i.e. Danske Bank A/S that got the third largest score in 2024, as well as all three Icelandic banks whose weighted average share in the domestic banking sector is around 30 per cent (3,000 points out of 10,000). So in the last case one may observe that decisions regarding the buffer rate are sometimes arbitrary and fully dependent on the Member State.

3. Interactions between G-SIIs and O-SIIs

It happens quite frequently that banks identified as O-SIIs are subsidiaries of other banks that are also identified as O-SIIs or G-SIIs. Then the maximum buffer rate that can be set on subsidiaries is subject to some constraints. Although a subsidiary is a legal entity that is different from its parent company, the EU law is often focused on banking groups rather than individual institutions. Hence, the capital buffers that are set on subsidiaries are somewhat dependent on the buffers set on EU parent companies. However, in that case the legislation has evolved since 2013. At first the maximum O-SII buffer rate was 2 per cent and the following restrictions were valid[30]:

[30] CRD IV, art. 131 para. 8.

[…where an O-SII is a subsidiary of either a G-SII or an O-SII which is an EU parent institution and subject to an O-SII buffer on a consolidated basis, the buffer that applies at individual or sub-consolidated level for the O-SII shall not exceed the higher of:

(a) 1% of the total risk exposure amount…; and
(b) the G-SII or O-SII buffer rate applicable to the group at consolidated level.]

In 2019 CRD IV was amended[31] and it has been known as CRD V ever since. The maximum O-SII buffer was increased to 3 per cent and the above restriction was replaced by the following[32]:

[where an O-SII is a subsidiary of either a G-SII or an O-SII which is either an institution or a group headed by an EU parent institution, and subject to an O-SII buffer on a consolidated basis, the buffer that applies on an individual or sub-consolidated basis for the O-SII shall not exceed the lower of:

(a) the sum of the higher of the G-SII or the O-SII buffer rate applicable to the group on a consolidated basis and 1% of the total risk exposure amount…; and
(b) 3% of the total risk exposure amount…, or the rate the Commission has authorised to be applied to the group on a consolidated basis...]

The above change in legislation was very important and beneficial from the perspective of Central and Eastern European countries including Poland. First, the maximum O-SII buffer rate was increased from 2 per cent to 3 per cent. However, CEE countries still do not have full flexibility when deciding on the application of macroprudential instruments as the maximum buffer rate cannot exceed certain amount. Let's analyse this problem on the basis of the following hypothetical example (see table 5).

Table 5. Legal restrictions on the O-SII buffer rate set on subsidiaries depending on the G-SII or O-SII buffer rates set on the banking groups

G-SII or O-SII buffer rate for a banking group	Maximum O-SII buffer rate for a subsidiary	
	Previous legislation	Current legislation
0.25%	1.00%	1.25%
0.50%	1.00%	1.50%
0.75%	1.00%	1.75%
1.00%	1.00%	2.00%
1.50%	1.50%	2.50%

[31] *DIRECTIVE (EU) 2019/878 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures*, "Official Journal of the EU of 27" 2019, June, L 150, pp. 253-295 (CRD V).

[32] CRD V, art. 131 para. 8.

2.00%	2.00%	3.00%
2.50%	2.00%	3.00%
3.00%	2.00%	3.00%

Source: own analysis.

The information shown in the table 5 prove that CEE countries are still dependent on Western European countries when making decisions on their O-SIIs. The maximum O-SII buffer rate for a subsidiary, i.e. 3 per cent, can only be set if the respective rate for the banking group is 2 per cent or more. Nevertheless, compared to the previous legislation all Member States have more flexibility, which is considered favourable for CEE countries including Poland. The above restrictions could have been binding in case of a few banks from Czech Republic, Estonia, Croatia, Lithuania and Latvia. The respective data for 2024 are presented in the table 6.

Table 6. Selected data on other systemically important institutions that might have been affected by the EU legislation regarding the maximum O-SII buffer rate

Subsidiary				Parent company			
Country	Name	Points	Buffer rate	Country	Name	Points	Buffer rate
Czech Republic	Československá obchodní banka, a.s.	2,143	2.50%	Belgium	KBC Group	2,450	1.50%
	Komerční banka, a.s.	1,763	2.00%	France	SOCIETE GENERALE	1,477	1.00%
Croatia	Zagrebačka banka d.d., Zagreb	3,004	2.50%	Italy	Unicredit Group	2,862	1.50%
Estonia	Swedbank AS	3,340	2.00%	Sweden	Swedbank AB	1,879	1.00%
Lithuania	Swedbank, AB	2,662	2.00%				
Latvia	Swedbank Baltics AS	2,734	2.00%				
Estonia	AS SEB Pank	1,955	2.00%		Skandinaviska Enskilda Banken AB	2,640	1.00%
Lithuania	AB SEB bankas	2,368	2.00%				

Source: own analysis based on EBA data.

The information in table 6 show in particular that the score for subsidiaries is generally higher than the one for parent companies. It means that the former are more important for the domestic economy than the latter. At the same time parent companies have been assigned fairly low O-SII buffer rates (1.0 per cent or 1.5 per cent), so their subsidiaries have been permitted to set the respective buffers rates at no more than 2.0 per cent or 2.5 per cent respectively. Thus, in spite of the amendments in the EU law in 2019, Central and Eastern European countries still have to face regulations that are focused on banking groups rather

than individual banks. That is why some level of discrimination in terms of the scope of macroprudential instruments that can be applied by respective Member States still exists. Thus, parent banks located in Western European have legal advantage over the subsidiaries including those located in CEE countries.

Conclusion

The paper analyses the evolution of systemically important banks in the European Union. The appropriate EU legislation has been presented together with the most important amendments that have occurred since 2014. The research reveals that global systemically important institutions are identified using the same methodologies in all Member States. The same applies to the computation of the G-SII buffer rates. It turns out that the number of G-SIIs declined visibly from 14 in 2014 to 10 in 2024 (or from 10 to 7 excluding the UK) and their role in the EU economy became weaker and weaker. Thus, the application of macroprudential instruments has led to a decrease in systemic risk as the size of G-SIIs (i.e. total exposure, payments and OTC derivatives) in relation to the EU27 GDP has declined for the last 10 years. In case of other systemically important institutions a buffer level is left to national discretion, although the identification process itself is largely similar across Member States. The number of O-SIIs levelled off at around 180 (excluding the UK) between 2016 and 2024. It is worth noticing that Member States still do not have full flexibility when setting their O-SII buffer rates. In 2024 this problem concerned 8 banks altogether from the Czech Republic, Croatia, Estonia, Lithuania and Latvia. That is why some level of discrimination between Western and Eastern European countries still exists. Nevertheless, certain favourable legal changes occurred in 2019. It is further research on the impact of systemically important banks on the economies of particular Member States that is needed and welcome now.

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