

# O-SII policy suggestions

## Context

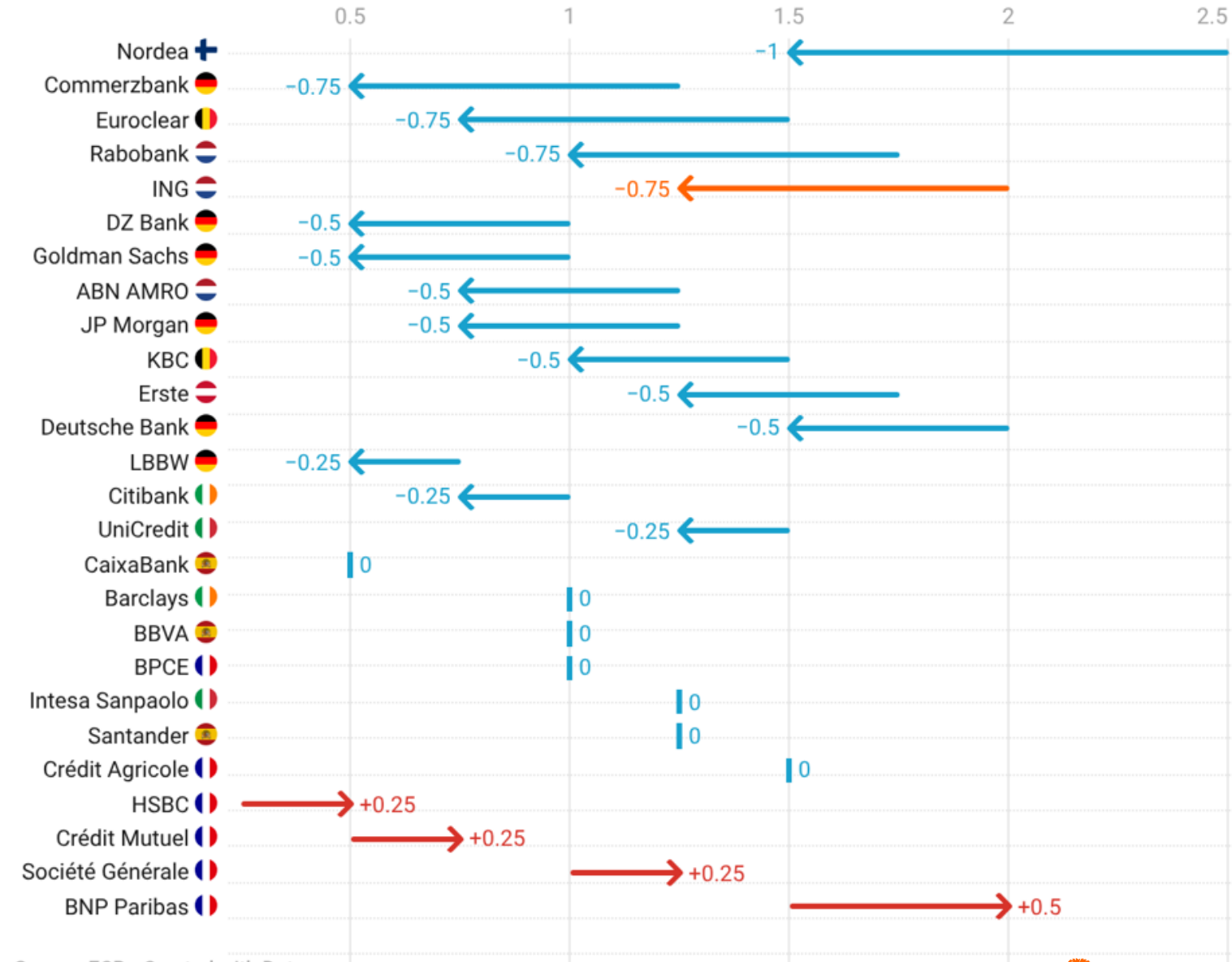
- It is widely acknowledged that current O-SII buffer setting practices in the EU lead to undue heterogeneity and overlaps.
- The ECB has created a new O-SII floor framework that addresses this issue, but only at the “bottom” of the problem. The ECB does not have a mandate to address inconsistencies at the “top”. *The chart on the right shows individual banks real vs floor requirement.*
- This issue should be central in the EU’s upcoming bank competitiveness proposal, given its implication for EU competitiveness as well as the internal level playing field.

## Policy recommendations

- **Harmonise O-SII scoring methodology** – The ECB’s floor methodology offers a good starting point as it takes into account both the banking union and national perspective. A mandate to the EBA to develop an RTS to harmonise the national scoring methodology would further help reduce fragmentation.
- **Ensure consistent buffer setting** – Many European banks still see a much higher O-SII buffer than the floor set by the ECB methodology (which takes the national perspective into account). The CRD should set a mandatory link between scoring and buffer requirement, based on a single methodology.
- **ECB should be given powers to review aggregate buffer requirement of banks under their remit** - to address overlaps and inconsistencies.

# O-SII scores from the banking union perspective

Current vs. ECB floor (Jan 28).



Source: ECB • Created with Datawrapper