



PRESS RELEASE

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The Banco de España approves the Circular implementing its new macroprudential tools

The Governing Council of the Banco de España has approved [Circular 5/2021](#) implementing the three new macroprudential tools introduced by Royal Decree-Law 22/2018 and Royal Decree 102/2019 in Spanish legislation on credit institutions: a sectoral component of the countercyclical capital buffer (CCyB), sectoral concentration limits, and limits and conditions on loan origination and other transactions.

This Banco de España Circular, amending Circular 2/2016 of 2 February 2016, to credit institutions, on supervision and solvency, completes the transposition into Spanish legislation of Directive 2013/36/EU and Regulation (EU) No 575/2013.

The purpose of the sectoral component of the countercyclical buffer is to mitigate systemic risks that may concentrate in exposures to specific sectors, as has been observed on various occasions in the past and in many countries, including Spain. In such cases, the aggregate macroprudential tools can be expected to be less effective, as they are applied equally across all sectors. Therefore, the introduction of a sectoral component is a technical improvement for this buffer, since it may be applied to both the exposures as a whole and to specific sectors, or even to both simultaneously. Its activation for specific sectors shall be determined on the basis of a broad set of early warning indicators on sectoral financial imbalances in Spain, which are usually accompanied by increases in systemic risk in the financial system.

Limits on sectoral concentration complement the sectoral component of the CCyB, since their activation would help to curb the concentration of risks in specific portfolios more directly by imposing a restriction to the volume of credit exposures to a specific sector. Given that concentration is defined in terms of the ratio of sectoral exposure to common equity tier 1 (CET1) capital, the activation of a limit would not entail an absolute ceiling for exposures.


While the foregoing tools affect both existing and new lending, setting limits and conditions on loan origination and other transactions would only affect the flow of new credit, and the expected effect would be a reduction in the implicit risk of each new transaction. The Circular establishes different limits and conditions that may be activated, such as maximum customer borrowing based on a range of variables (collateral provided, income, etc.), maximum terms to maturity and minimum principal repayment requirements. These measures may be activated individually or jointly, and also together with other macroprudential instruments. In contrast with the previous instruments, debtor solvency, rather than creditor solvency, is strengthened in this case.


Further information on the different macroprudential tools for which the Banco de España is responsible, their functioning and the indicators used to calibrate them can be found in the Financial Stability section of the Banco de España website ([Banco de España - Financial Stability and Macroprudential Policy](#)).

Circular 5/2021, published today in the Official State Gazette, will enter into force in 20 days.

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