



EUROPEAN CENTRAL BANK

EUROSYSTEM

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The euro area macroprudential framework: governance and policy actions

** The views expressed are my own and do not necessarily reflect those of the ECB*

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Macroprudential policy: shared responsibility between the ECB and National Authorities in the SSM / euro area

EU

SSM / euro area

Macroprudential Supervision
(financial stability)

National Authorities and ECB
("top up" powers for CRD and CRR tools;
National Authorities only for other tools)

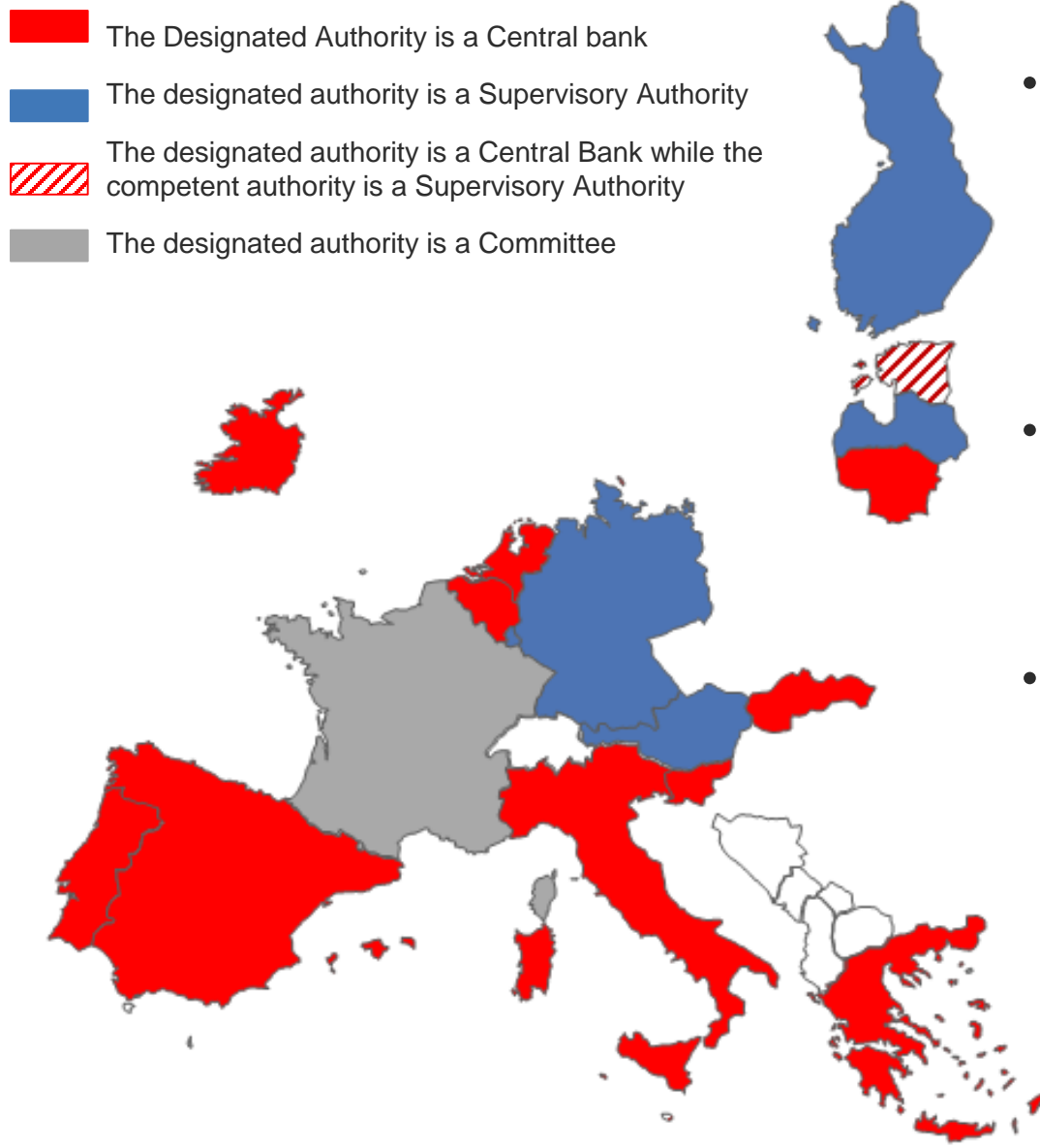
European Systemic Risk Board (ESRB)

Microprudential Supervision
(soundness of individual institutions)

ECB (direct supervision of SIs) and National Authorities

European Supervisory Authorities (EBA, ESMA, EIOPA)

National designated and macroprudential authorities in the SSM area

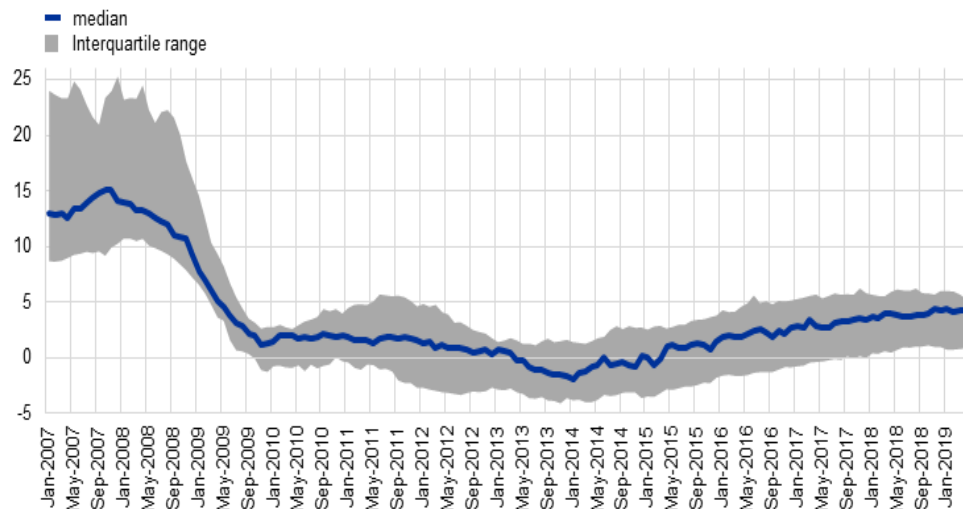


- “Designated” authority:
 - In charge of implementation of CRD and CRR measures.
 - **13 Central Banks, 5 Supervisory Authorities and 1 Committee** in the SSM area
- Member states may set up separate institutions or committees with a general macroprudential policy mandate (“macroprudential authority”).
- Macroprudential authorities may provide guidance, recommendations on macroprudential policy issues to other authorities

Post-crisis macro-financial conditions in the euro area

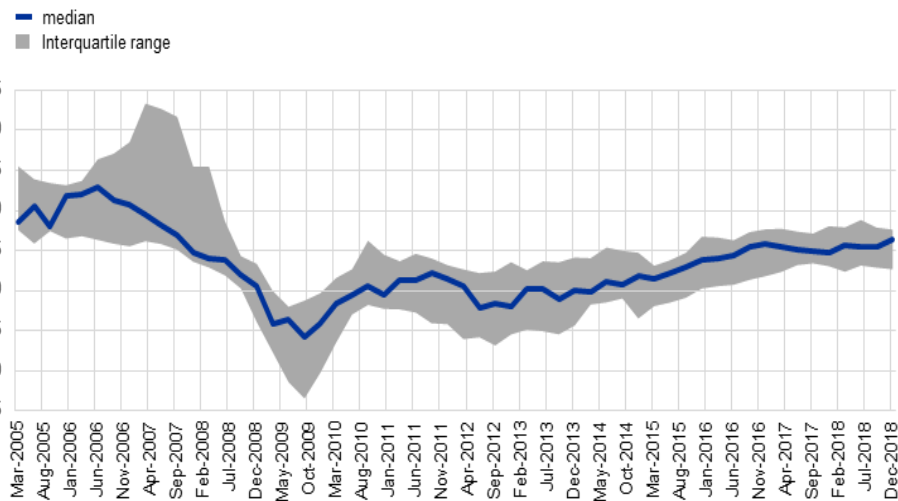
- Moderate credit recovery (with country dispersion)
- Strong property price growth in some countries
- Steady increase in bank capital ratios

MFI loans to NFCs and HHs, annual growth rate (%)



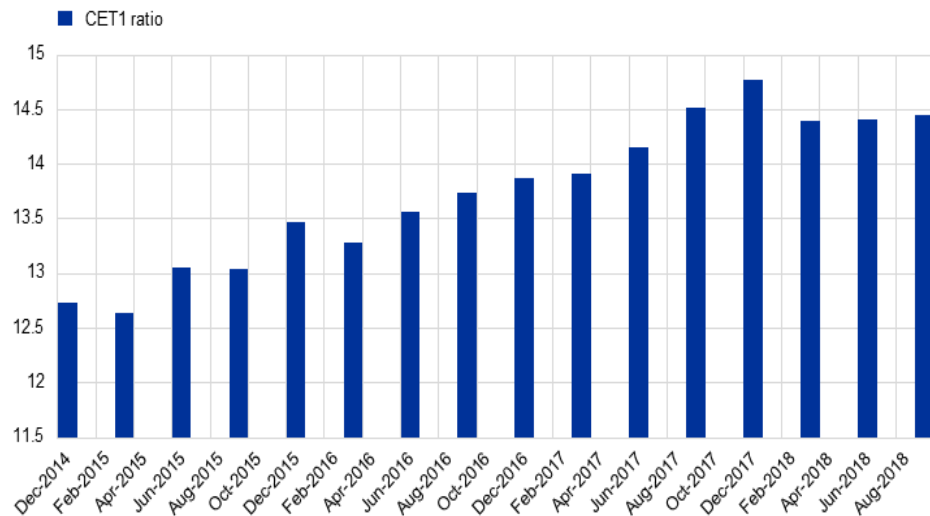
Source: ECB and ECB calculations

Residential Real Estate prices, y-o-y growth rates (%)



Source: ECB and ECB calculations

CET1 capital ratios (percentage of risk weighted assets)



Source: ECB and ECB calculations

Discretionary macroprudential policy measures in the SSM

		2011	2012	2013	2014	2015	2016	2017	2018	2019	Current Measures
AT	BBM										LTV + DSTI +Maturity
	Other										SyRB
BE	Other										RW
CY	BBM										LTV + DSTI
DE	CCyB										0.25%
EE	BBM										LTV + DSTI +Maturity
	Other										SyRB
ES											
FI	BBM										LTV + Maturity
	Other										RW, SyRB
FR	CCyB										0.25%
GR	BBM										DSTI
IE	CCyB										1 %
	BBM										LTV + LTI
	Other										RW
IT											
LT	CCyB										0.5%
	BBM										LTV + DSTI +Maturity
LU	CCyB										0.25%
	Other										RW
LV	BBM										LTV + DSTI
MT	Other										RW
NL	BBM										LTV + DSTI +Maturity
	Other										SyRB
PT	BBM										LTV + DSTI +Maturity
SI	BBM										LTV + DSTI +Maturity
SK	CCyB										1.25%
	BBM										LTV + LTI + DSTI +Maturity
	Other										SyRB

Source: ECB. OSII and GSII buffers not included in the table. For borrower based measures, also non-legally binding measures are included in the table. Legend: BBM: borrower-based measures; CCyB: countercyclical capital buffer; SyRB: systemic risk buffer; LTV: loan-to-value ratio; LTI: loan-to-income ratio; DSTI: debt service-to-income ratio; RW: risk weights

- Create common analytical grounds
 - Work at the Eurosystem's Financial Stability Committee
 - Data initiatives (e.g. macroprudential dataset and crisis dataset)
 - Shared analytical tools for the assessment of systemic risk, e.g.:
 - Indicators and models for monitoring and policy analysis
 - Framework for the Countercyclical Capital Buffer (CCyB)
 - Other Significant Institutions (OSIs) buffers: floor methodology
- Foster the adoption of best practices and facilitate decisions
- “Top up”: not necessary so far, but key lever to spur action

- Macroprudential policy increasingly active in the EA, *but a number of open issues remain:*
- **Governance**
 - Complexity of decision-making
 - Coordination among different authorities (including microprudential)
 - Centralization vs decentralization
- **Effectiveness of the overall macroprudential toolkit**
 - The low level of CCyB: have we addressed procyclicality?
 - Incomplete set of instruments:
 - Borrower-based measures not always available
 - More targeted (e.g. sectoral) countercyclical buffers, e.g. for corporate
 - Non-banks