Box 3.1

MACROPRUDENTIAL MEASURES ADOPTED ACROSS EUROPE IN RESPONSE TO THE COVID-19 CRISIS

The coronavirus pandemic and the necessary measures to contain it are severely disrupting economic activity worldwide. This may be a temporary shock, but it will in any event depend on the public policy response and on agents' behaviour to ensure that its effects do not become longer lasting. In this setting, credit institutions may and should play an essential part in helping to stabilise the economy. Their role as intermediaries of flows of funding allows economic agents to meet their short-term financial needs, which are transformed into longer-term liabilities. One of the main objectives of macroprudential policy is precisely to help credit institutions continue to provide the funding that households and firms require in adverse environments such as the present one. For this purpose, existing capital buffers would be released, enabling credit institutions to absorb the foreseeable increase in losses without having to restrict the credit supply for financially viable projects. In consequence, various national authorities across Europe have taken macroprudential measures, according to the specific circumstances of each country and depending on the capital buffers already activated previous to the outbreak of the pandemic.

Table 1
MACROPRUDENTIAL MEASURES IN EUROPE (a) (b)

Country	CCyB (%)			Other measures adopted recently
	Actual rate March 2020	Last announcement before COVID-19	Announced after COVID-19	
Belgium	0.00	0.50	0.00	
Bulgaria	0.50	1.50	0.50	
Cyprus				Deferral to 2023 of end of implementation period for O-SII buffers
Czech Republic	1.75	2.00	1.75	
Denmark	1.00	2.00	0.00	
Estonia				Complete release of SyRB
Finland				Complete release of SyRB and selective release of O-SII buffers
France	0.25	0.50	0.00	
Germany	0.00	0.25	0.00	
Hungary				Complete release of O-SII buffers
Iceland	2.00	2.00	0.00	
Ireland	1.00	1.00	0.00	
Lithuania	1.00	1.00	0.00	
Netherlands				Partial and selective release of SyRB and O-SII buffers Deferral of introduction of minimum floors on risk weights for real estate exposures calculated by institutions using internal models
Norway	1.00	2.50	1.00	
Poland				Complete release of SyRB
Portugal				Easing of recommendation to banks on financing conditions (limits on debt servicing of loans to households to cover temporary liquidity constraints)
Slovenia				Temporary restrictions on profit distribution by credit institutions
Sweden	2.50	2.50	0.00	
United Kingdom	1.00	2.00	0.00	

SOURCE: Banco de España.

a The table shows the macroprudential measures adopted across Europe, drawing on public information available at 15 April 2020.
b CCyB is the countercyclical capital buffer and SyRB the systemic risk buffer. O-SIIs are other systemically important institutions. The third column refers to the last CCyB rate announced before the COVID-19 outbreak and that would have come into place 12 months after the announcement. Release of the CCyB has effect immediately. The countries in the table for which there is no figure in the CCyB columns have not altered their CCyB rate since the COVID-19 outbreak. European countries that have not altered any macroprudential instruments in response to the COVID-19 outbreak are not included in the table.

1 See Banco de España press release of 31 March 2020: "The Banco de España holds the countercyclical buffer at 0%".

Box 3.1

MACROPRUDENTIAL MEASURES ADOPTED ACROSS EUROPE IN RESPONSE TO THE COVID-19 CRISIS (cont'd)

Communication is an important aspect to be considered in light of its immediate impact on agents' expectations. Indeed, as COVID-19 has spread in Spain, the authorities have issued increasingly frequent public statements to inform on events and on how the situation is developing, including considerations about the impact on economic activity. Communication is a key element of macroprudential policy, and especially in the case of the countercyclical capital buffer (CCyB) which is reviewed quarterly.[1] The present crisis has underlined the fact that our position in the economic and financial cycle has changed, and that the new environment is not conducive to activation of the CCyB in Spain, not only now but at least until the main economic and financial effects of the coronavirus crisis have disappeared. In accordance with this decision, most European countries that had activated their CCyBs in the past, in many cases because their authorities had observed signs of excessive credit growth in their countries, have responded rapidly, releasing all or part of these buffers (see Table 1).

Other countries had not made use of the CCyBs but had activated other macroprudential instruments available under the regulations, such as the systemic risk buffer (SyRB). These are mainly structural or countercyclical instruments, i.e. they are not designed to be released in adverse cyclical environments such as the present one. However, the severity of the systemic shocks experienced, and the lack of buffers of other kinds, have led some countries to release these buffers as the only immediate alternative available to ease the regulatory pressure on their credit institutions. Indeed, as Table 1 shows, some countries are also reducing or delaying the implementation of other structural buffers, such as those required of other systemically important institutions (O-SIIs). In the euro area, all these national macroprudential measures have been supported by the ECB.[2]

The use of structural instruments to achieve cyclical objectives poses a communication challenge, not only because the instruments are being used for a different purpose than that for which they were designed, but also as regards managing the return to normal and the uncertainty this may create as to the use of these buffers in response to future potential shocks. In practice, these decisions entail a transfer of macroprudential space, from structural instruments to other, more automatic, instruments based on cyclical indicators such as the CCyB. In this respect the announcement made by De Nederlandsche Bank on 17 March is noteworthy. It indicated that once the crisis was over, it intended to set a positive CCyB rate, to compensate for the recent reduction in the SyRB and thus resume the capital requirement levels existing before COVID-19, and to ensure, at the same time, a more flexible structural-cyclical composition of capital requirements with which to address future adverse episodes.

As indicated above, there were no cyclical macroprudential requirements not activated in Spain, although in recent years Spanish banks have built up other buffers and capital requirements, precisely to be used to absorb losses in the event of scenarios such as that generated by COVID-19. In this respect, on 12 March the ECB announced that it would temporarily allow significant institutions (under its direct supervision) to operate below the level set for certain requirements, such as the capital conservation buffer, Pillar 2 guidance (P2G) and the liquidity coverage ratio (LCR). The overall capacity of the micro- and macroprudential capital buffers to absorb unexpected losses at Spanish deposit institutions is described in Chapter 2 (see Chart 2.13).

2 See Banco de España press release of 15 April 2020: "ECB supports macroprudential policy actions taken in response to coronavirus outbreak".