Recommendation of the European Systemic Risk Board of 11 June 2024 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures

(ESRB/2024/2)

Recommendation 2024/2 of the European Systemic Risk Board (ESRB) was published in the Official Journal of the European Union on 29 July 2024 and amends Recommendation ESRB/2015/2 as a consequence of the macroprudential policy measures adopted by *Banca d'Italia*. Recommendation ESRB/2024/2 invites the relevant authorities of the Member States to reciprocate the macroprudential policy measure adopted in Italia on the basis of a pre-defined materiality threshold.

The measure introduced by Italia consists of a systemic risk buffer rate of 0.5% from 31 December 2024 to 29 June 2025 to all credit risk exposures and counterparty credit risk exposures in Italy. The rate will increase to 1% from 30 June 2025. In addition, the measure is complemented by an institution-specific materiality threshold of EUR 25 billion.

Owing to the materiality of credit exposure amounts of Spanish institutions to Italy – which place them above the threshold set by the ESRB–, on 14 October 2024 the Executive Commission of the Banco de España resolved to reciprocate the measure adopted in Italy.

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RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD

of 11 June 2024

amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures

(ESRB/2024/2)

(C/2024/4775)

THE GENERAL BOARD OF THE EUROPEAN SYSTEMIC RISK BOARD,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Agreement on the European Economic Area [1], and in particular Annex IX thereof,

Having regard to Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board [2], and in particular Articles 3 and 16 to 18 thereof,

Having regard to 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, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC [3], and in particular Section I of Chapter 4 of Title VII thereof,

Having regard to Decision ESRB/2011/1 of the European Systemic Risk Board of 20 January 2011 adopting the Rules of Procedure of the European Systemic Risk Board [4], and in particular Articles 18 to 20 thereof,

Whereas:

(1) In order to ensure the effectiveness and consistent application of national macroprudential policy measures, it is important to rely on voluntary reciprocity for measures that are not subject to mandatory recognition under Union law. In the absence of recognition, a macroprudential measure taken in one Member State applies only to credit institutions authorised by that Member State. This can create possibilities for credit institutions to circumvent the measure through direct cross-border lending or lending through branches. Recognition of national macroprudential policy measures can prevent leakages and regulatory arbitrage, as well as distorting effects on competition that would result from the application of different macroprudential requirements in relation to the same exposures depending on where a credit institution is established.

(2) The framework on voluntary reciprocity for macroprudential policy measures set out in Recommendation ESRB/2015/2 of the European Systemic Risk Board [5] aims to ensure that all exposure-based macroprudential policy measures activated in one Member State are reciprocated in other Member States.

[1] OJ L 1, 3.1.1994, p. 3.
[2] OJ L 331, 15.12.2010, p. 1.
[3] OJ L 176, 27.6.2013, p. 338.
[4] OJ C 58, 24.2.2011, p. 4.
[5] Recommendation ESRB/2015/2 of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (OJ C 97, 12.3.2016, p. 9).

(3) On 12 March 2024, Banca d'Italia, acting as the designated authority for the purpose of Article 133 of Directive 2013/36/EU, notified the European Systemic Risk Board (ESRB) of its intention to set a sectoral systemic risk buffer rate in accordance with Article 133(9) of that Directive, to strengthen the resilience of the Italian banking sector to shocks unrelated to the credit cycle, and hence its capacity to absorb losses and to support the provision of credit to the economy. The systemic risk buffer (SyRB) rate will apply to credit institutions authorised in Italy. A SyRB rate of 0,5 % will apply from 31 December 2024 to all credit risk exposures and counterparty credit risk exposures in Italy. The rate will increase to 1 % from 30 June 2025. The SyRB rate will be reviewed at least every two years.

(4) On 12 March 2024, Banca d'Italia, acting as the designated authority for the purpose of Article 133 of Directive 2013/36/EU, submitted a request to the ESRB to recommend the reciprocation of the aforementioned macroprudential policy measure, on an individual and on a consolidated basis, pursuant to Article 134(5) of Directive 2013/36/EU.

(5) The reciprocation of macroprudential capital requirements activated by authorities of other Member States, on an individual and on a consolidated basis, irrespective of whether the exposures concerned are held through subsidiaries or branches, or result from direct cross-border lending, limits leakages and regulatory arbitrage, tackles systemic risks and thus promotes the overall effectiveness of macroprudential policy by ensuring that increased risks are addressed not only in the Member State that has introduced the SyRB but also in other Member States where banking groups are exposed to those increased risks. Recognition should therefore also aim to ensure that banking groups exposed to those systemic risks are sufficiently resilient. Therefore, macroprudential capital requirements stemming from a decision to recognise other Member States' macroprudential measures should in general be applied on both an individual and a consolidated basis.

(6) To recognise the Italian SyRB rate as requested by Banca d'Italia, the relevant competent and/or designated authorities of another Member State may set a SyRB rate in accordance with Articles 134 and 133 of Directive 2013/36/EU.

(7) In accordance with Article 134(1) of Directive 2013/36/EU, the recognition of the notified Italian SyRB rate by other Member States would apply to exposures located in Italy of institutions authorised in the reciprocating Member States.

(8) In accordance with Article 133(4) of Directive 2013/36/EU, a SyRB rate may be applied on an individual, sub-consolidated, or consolidated basis. Therefore, recognition of a SyRB rate set by another Member State entails the possibility to apply a SyRB rate to all exposures on a consolidated basis (including exposures held through subsidiaries located in another Member State).

(9) Deviation from the general approach of applying the recognised Italian macroprudential policy measure on both an individual and consolidated basis may be justified in certain cases, for instance where the reciprocating authorities deem that those systemic risks are already adequately and appropriately mitigated by existing macroprudential or microprudential requirements applied in the Member State where the banking group is consolidated.

(10) Recommendation ESRB/2015/2 of the ESRB, as amended by Recommendation ESRB/2017/4 ([6]), recommends that the relevant authority activating a macroprudential policy measure should, when submitting a request for reciprocation to the ESRB, propose a materiality threshold below which an individual financial service provider's exposure to the identified macroprudential risk in the jurisdiction where the macroprudential policy measure is applied by the activating authority can be considered non-material. The ESRB may recommend a different threshold if deemed necessary.

([6]) Recommendation ESRB/2017/4 of the European Systemic Risk Board of 20 October 2017 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (OJ C 431, 15.12.2017, p. 1).

(11) Following the Italian request for the reciprocation of the measure by other Member States and in order to prevent the materialisation of negative cross-border effects in the form of leakages and regulatory arbitrage that could result from the implementation of the macroprudential policy measure that will become applicable in Italy, the General Board of the ESRB decided to include this measure in the list of macroprudential policy measures that it recommends to be reciprocated under Recommendation ESRB/2015/2. The General Board of the ESRB also decided to recommend an institution-specific materiality threshold of EUR 25 billion. The relevant authorities reciprocating the measure may exempt institutions from the systemic risk buffer requirement as long as their relevant exposures do not exceed EUR 25 billion. As the measure to be issued in recognition of the notified Italian SyRB rate, should also apply on a consolidated basis, the sum of exposures held through branches, direct cross-border lending and through subsidiaries should be assessed against the materiality threshold.

(12) Therefore, Recommendation ESRB/2015/2 should be amended accordingly,

HAS ADOPTED THIS RECOMMENDATION:

Amendments

Recommendation ESRB/2015/2 is amended as follows:

(1) in Section 1, sub-recommendation C(1) is amended by adding the following measure:

'Italy:

— a 0,5 % systemic risk buffer rate on all credit risk exposures and counterparty credit risk exposures located in Italy, applicable from 31 December 2024 until 29 June 2025; increasing to a 1 % systemic risk buffer rate on all credit risk exposures and counterparty credit risk exposures located in Italy, applicable from 30 June 2025.';

(2) the Annex is amended in accordance with the Annex to this Recommendation.

Done at Frankfurt am Main, 11 June 2024

The Head of the ESRB Secretariat,
on behalf of the General Board of the ESRB
Francesco MAZZAFERRO

ANNEX

The Annex to Recommendation ESRB/2015/2 is amended by adding the following measure:

'Italy:

A 0,5 % systemic risk buffer rate on all credit risk exposures and counterparty credit risk exposures located in Italy, applicable from 31 December 2024 until 29 June 2025; increasing to a 1 % systemic risk buffer rate on all credit risk exposures and counterparty credit risk exposures located in Italy, applicable from 30 June 2025.

I. Description of the measure

1. The Italian measure, applied in accordance with Article 133 of Directive 2013/36/EU, consists of the application of a systemic risk buffer to credit risk exposures and counterparty credit risk exposures located in Italy of all credit institutions authorised in Italy, on an individual and on a consolidated basis.

2. A systemic risk buffer rate of 0,5 % will apply from 31 December 2024, increasing to 1 % from 30 June 2025.

II. Reciprocation

3. Reciprocating relevant authorities are recommended to reciprocate the Italian measure by applying it to banks' credit risk exposures and counterparty credit risk exposures located in Italy. The measure can be reciprocated using the following scope in COREP reporting: Geographical breakdown of exposures by residence of the obligor, sum of the exposures to Italian residents in row 170, column 90 of COREP Table C 09.01 and row 150, column 125 of COREP Table C 09.02.

4. Following the request by Banca d'Italia, it is recommended that relevant authorities reciprocate the Italian measure by applying it on an individual and on a consolidated basis.

5. If the same macroprudential policy measure is not available in their jurisdiction, the relevant authorities are recommended to apply, following consultation with the ESRB, a macroprudential policy measure available in their jurisdiction that has the most equivalent effect to the above measure recommended for reciprocation. This may include adopting supervisory measures and powers laid down in Title VII, Chapter 2, Section IV of Directive 2013/36/EU.

6. It is recommended that relevant authorities ensure that:

   (a) a reciprocating measure with a rate of 0,5 % applies and is complied with from 31 December 2024 until 29 June 2025:

   (b) a reciprocating measure with a rate of 1 % applies and is complied with from 30 June 2025.

III. Materiality threshold

7. The measure is complemented by an institution-specific materiality threshold based on exposures located in Italy. The relevant authorities reciprocating the measure may exempt credit institutions from the systemic risk buffer requirement as long as their relevant exposures do not exceed a materiality threshold of EUR 25 billion, which corresponds to approximately 1 % of all credit risk exposures and counterparty credit risk exposures located in Italy. In order to identify the relevant exposures that should be included in the calculation of exposures assessed against the materiality threshold, relevant authorities should take into account, as a minimum, the exposures in the following scope of COREP reporting: Geographical breakdown of exposures by residence of the obligor, sum of exposures to Italian residents in row 170, column 10 of COREP Table C09.01 and row 150 column 10 of COREP Table C09.02.

8. All exposures held through branches and direct cross-border lending and through subsidiaries should be included in the calculation of exposures assessed against the materiality threshold.

9. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the materiality threshold of EUR 25 billion is a recommended maximum threshold level. Relevant authorities may therefore, instead of applying the recommended threshold, set a lower threshold for their jurisdictions where appropriate, or reciprocate the measure without any materiality threshold. When setting a materiality threshold, relevant authorities should consider each individual financial service provider's exposure to the identified macroprudential risk in Italy and assess whether it can be considered non-material.

10. Where there are no credit institutions authorised in the Member States having material exposures in Italy, relevant authorities of the Member States concerned may, pursuant to Section 2.2.1 of Recommendation ESRB/2015/2, decide not to reciprocate the Italian measure. In this case, the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate the Italian measure when a credit institution exceeds the recommended materiality threshold.'