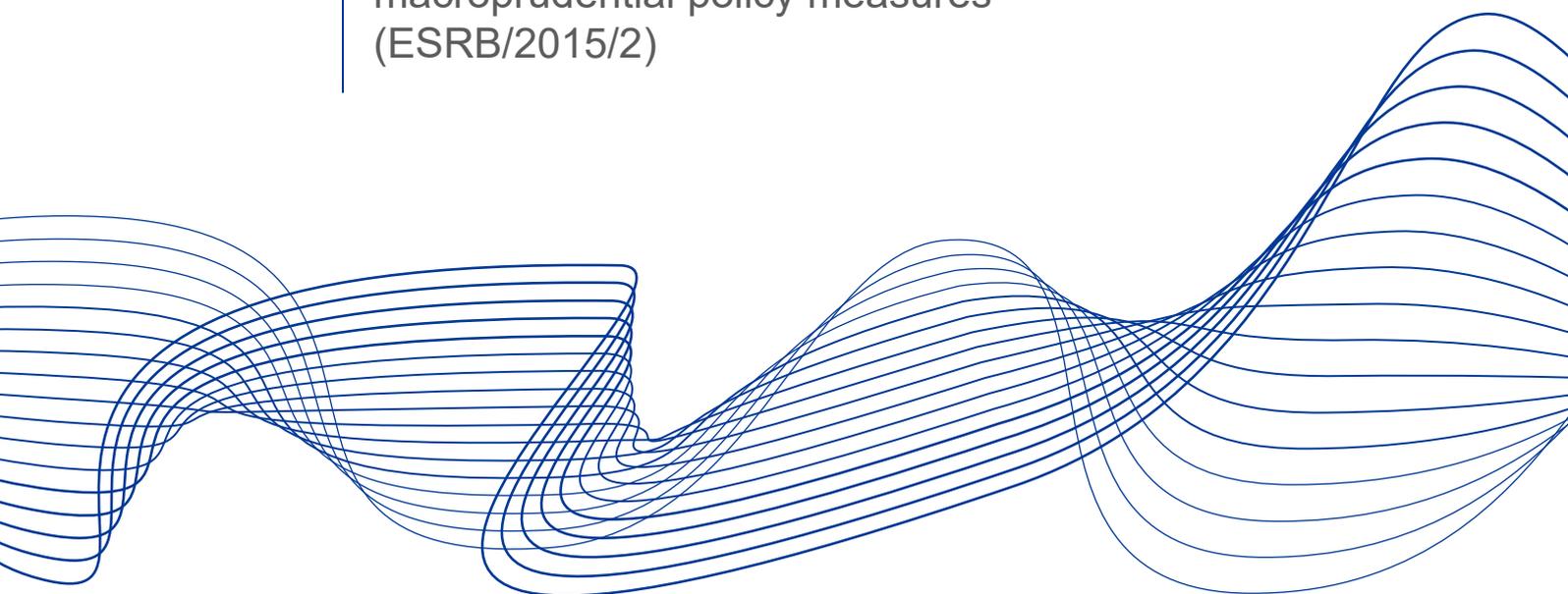


Summary compliance report

September 2023

Recommendation 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
(ESRB/2015/2)



ESRB

European Systemic Risk Board

European System of Financial Supervision

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Introduction

This report presents the outcome of the second assessment of the implementation of the Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures¹ (ESRB/2015/2, hereinafter the “Recommendation”) as applicable for the reference period between 1 July 2017 and 30 June 2021.

The Recommendation is addressed to relevant authorities, which are defined as authorities entrusted with the adoption and/or activation of macroprudential policy measures, including but not limited to designated authorities in accordance with Chapter 4 of the Capital Requirements Directive (CRD)² and Article 458 of the Capital Requirements Regulation (CRR)³ as in force during the assessment period (hereinafter “national designated authorities” or “NDAs”), competent authorities as defined in Article 4(1)(40) of the CRR (hereinafter “national competent authorities” or “NCAs”) as in force during the assessment period, the European Central Bank (ECB) in accordance with Article 9(1) of Single Supervisory Mechanism (SSM)⁴, and macroprudential authorities with the objectives, arrangements, powers, accountability requirements and other characteristics set out in Recommendation ESRB/2011/3.⁵

The report contains an assessment of addressees’ compliance, or of their explanation for non-compliance, with the Recommendation, based on the addressees’ submissions to the European Systemic Risk Board (ESRB) Secretariat. Addressees were requested to report on the actions taken in response to the Recommendation or to adequately justify any inaction, as provided for under Section 2.3 of the Recommendation, and to respond to the questions relating to its implementation raised by the Assessment Team set up to assess the addressees’ compliance with the Recommendation.

The Recommendation targets the systematic assessment of the cross-border effects of macroprudential policy and complements the mandatory recognition required under Union law of macroprudential policy measures adopted by other authorities with voluntary reciprocity, thereby contributing to the effectiveness and consistency of macroprudential policy measures adopted at national level by bringing branches of foreign financial service providers and foreign financial service providers providing cross-border financial services directly within the scope of national macroprudential policy measures.

¹ OJ C 97, 12.3.2016, p. 9.

² 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 and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

³ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2013 (OJ L 176, 27.6.2013, p. 1).

⁴ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

⁵ Recommendation of the European Systemic Risk Board of 22 December 2011 on the macro-prudential mandate of national authorities (ESRB/2011/3) (OJ C 41, 14.2.2012, p. 1).



The Recommendation covers all adopted macroprudential policy measures irrespective of which part of the financial system they address and including measures that have not been harmonised under Union law.

Relevant authorities are requested to report to the ESRB and the Council on the actions taken in response to the Recommendation,⁶ or to adequately justify any inaction, every two years, with the first report being due by 30 June 2017. The second reporting deadline of 30 June 2019 was postponed to 30 June 2021 as a result of the coronavirus (COVID-19) pandemic. Therefore, this report covers the four-year period from 1 July 2017 to 30 June 2021.

This report assesses the addressees' compliance with the Recommendation during the reference period between 1 July 2017 and 30 June 2021. Accordingly, it does not include information on: (i) the addressees' compliance with the Recommendation with respect to macroprudential policy measures adopted before 1 July 2017 or after 30 June 2021,⁷ or (ii) the addressees' compliance with the Recommendation with respect to macroprudential policy measures recommended for reciprocation by the ESRB before 1 July 2017 or after 30 June 2021.⁸ The regulatory framework that was taken into account by the assessors was the framework in force during the reference period between 1 July 2017 and 30 June 2021 (hereinafter the "reference period"), and included the ESRB Regulation, which was amended in December 2019.

The assessment was carried out in relation to the macroprudential policy measures that had been notified to the ESRB, as well as the macroprudential policy measures mentioned in the reports submitted to the ESRB under Section 2.3.1 of the Recommendation. The assessment of compliance with the Recommendation was carried out by an Assessment Team consisting of several assessors, including a Chair, appointed by the Advisory Technical Committee (ATC) (see Annex I of this report). The assessment follows the methodology provided in the "Handbook on the assessment of compliance with ESRB Recommendations" (the "Handbook") of April 2016.⁹

⁶ Article 17 of the 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 (OJ L 331, 15.12.2010, p. 1) as amended by Regulation (EU) 2019/2176 of the European Parliament and of the Council of 18 December 2019 foresees that addressees to also communicate their actions to the European Commission and the European Parliament.

⁷ The date of adoption of a macroprudential policy measure is deemed to be the date on which the final decision enacting the relevant macroprudential policy measure was taken, provided that all the relevant procedural requirements in accordance with Union law and the national law of the jurisdiction of the relevant activating authority have been complied with.

⁸ A macroprudential policy measure adopted by a relevant authority is deemed to be recommended for reciprocation by the ESRB on the day on which the relevant amendment to the Recommendation is published in the Official Journal of the European Union.

⁹ **Handbook on the assessment of compliance with ESRB recommendations**, ESRB, April 2016.



1 Policy objectives

In view of the increasingly integrated nature of the Union's financial system, national macroprudential policy may have sizeable cross-border effects. In the single market, financial service providers¹⁰ may either provide financial services via subsidiaries or branches located in another Member State, or provide cross-border financial services directly. In these two cases, financial service providers, while exposed to the same risks, are not usually subject to the same macroprudential policy requirements as domestic financial service providers in a given Member State, thereby resulting in leakages and regulatory arbitrage that could undermine the effectiveness of national macroprudential policy measures.

Differing macroprudential policy requirements between Member States could also create competitive advantages for financial service providers providing financial services directly or via branches located in another Member State, which if exploited, could result in an unlevel playing field. Furthermore, such competitive advantages over domestic financial service providers might also encourage an increase in exposures to the relevant macroprudential risks in the activating Member State, thereby exposing the home Member State to greater risk. In order to ensure the effectiveness and consistency of macroprudential policy, due consideration needs to be given to the cross-border effects of macroprudential policy measures and, when warranted, suitable policy instruments should be deployed to address such cross-border effects. To achieve this aim, the ESRB Recommendation puts forward an approach that is based on two main pillars, namely: (a) the systematic assessment of the cross-border effects of macroprudential policy; and (b) a coordinated policy response in the form of a voluntary reciprocity arrangement for macroprudential policy measures when needed. It is, however, also important that these pillars are implemented as consistently as possible throughout the Union.

The procedure set out in the Recommendation to target the systematic assessment of the cross-border effects of macroprudential policy aims to ensure that macroprudential policymakers make both an ex ante assessment of any potential cross-border effects of their proposed measures as well as an ex post assessment of any actual cross-border effects of the implemented measures, while also taking into consideration the existing requirements of the CRR¹¹, the CRD¹² and Recommendation ESRB/2013/1.¹³

The proposed coordinated policy response takes the form of a voluntary arrangement for the reciprocity of macroprudential policy measures. This arrangement seeks to complement the mandatory recognition¹⁴ required under Union law of macroprudential policy measures adopted

¹⁰ Section 2.1(c) of the Recommendation defines a "financial service" as "any service of a banking, credit, insurance, personal pension, investment or payment nature."

¹¹ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1), as amended during the reference period.

¹² 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 (OJ L 176, 27.6.2013, p. 1), as amended during the reference period.

¹³ Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1) (OJ C 170, 15.6.2013, p. 1).

¹⁴ Mandatory recognition is provided for with regard to measures taken pursuant to Articles 124(5) and 164(7) of the CRR, and to countercyclical capital buffer (CCyB) rates set below the ceiling for mandatory recognition.



by other authorities. Voluntary reciprocity contributes to the effectiveness and consistency of macroprudential policy measures adopted at national level by bringing within the scope of national macroprudential policy measures of branches of financial service providers established in other Member States and financial service providers established in other Member States providing cross-border financial services directly.

The Recommendation therefore aims to improve the effectiveness and consistency of national macroprudential policy measures by ensuring that the same type of risk exposure in a given Member State is subject to the same macroprudential requirements, irrespective of the legal status and location of the financial service provider.

Furthermore, the Recommendation is intended to cover all macroprudential policy measures, including measures that have not been harmonised under Union law, irrespective of which part of the financial system they address. Consequently, the scope of the Recommendation, which is based on the ESRB's mandate under Regulation (EU) No 1092/2010¹⁵, goes beyond the application of macroprudential instruments contained in the CRD and the CRR, and applies to macroprudential policy measures that the relevant authorities are mandated to adopt or activate.

This assessment covers European Union (EU) Member States and also countries in the European Economic Area (EEA), i.e. Iceland, Liechtenstein and Norway, given that the CRD/CRR framework became part of the EEA Agreement on 1 January 2020.¹⁶ The Assessment Team accounted for the fact that the provisions of the CRD/CRR framework were not applicable in EEA countries prior to 2020 in its assessment of compliance with the Recommendation and its sub-recommendations.

In order to ensure the effectiveness of the voluntary reciprocity arrangement, the relevant activating authorities are expected to notify the ESRB of the adoption of macroprudential policy measures in a timely manner and in sufficient detail, and the relevant reciprocating authorities are expected to adopt reciprocating measures within a reasonable time frame, depending on the macroprudential toolbox available in the relevant reciprocating jurisdiction. The Recommendation also encourages the relevant authorities to establish an effective communication strategy with regard to reciprocity requests and reciprocating measures, as part of their general communication strategy for macroprudential policy measures, and provides guidance to the relevant authorities on how to adopt reciprocating measures in response to other relevant authorities' macroprudential policy measures.

1.1 Content and structure

The Recommendation contains four recommendations (A, B, C and D), with recommendations A, B and C being further divided into sub-recommendations.

¹⁵ 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 (OJ L 331, 15.12.2010, p. 1).

¹⁶ Decision of the EEA Joint Committee No 79/2019 of 29 March 2019 amending Annex IX (Financial services) to the EEA Agreement [2019/2133] (OJ L 321, 12.12.2019, p.170).



Recommendation A – Assessment of cross-border effects of relevant authorities’ own macroprudential policy measures

Recommendation A is divided into three sub-recommendations, which recommend that the relevant activating authorities assess the cross-border effects of the implementation of their own macroprudential policy measures prior to their adoption and that they monitor the materialisation and evolution of the cross-border effects of the macroprudential policy measures they have introduced at least once a year. Cross-border effects are defined as leakages and regulatory arbitrage and the relevant activating authorities are recommended to assess such possible effects in their jurisdiction, as well as on other Member States and on the Single Market.

Recommendation B – Notification and reciprocation request with regard to relevant authorities’ own macroprudential policy measures

Recommendation B is of a procedural nature and recommends that the relevant activating authorities notify the ESRB of macroprudential policy measures as soon as they are adopted, while also describing the required formalities for the submission of such notifications and what they should contain. In particular, if, further to the assessment undertaken by the relevant activating authorities under Recommendation A, reciprocation is deemed necessary to ensure the effective functioning of the relevant measures, the relevant activating authorities are recommended to submit a request for reciprocation to the ESRB, along with the notification of the measure. The relevant activating authority may also submit a request for reciprocation to the ESRB when the activation of a given macroprudential policy measure occurred prior to the adoption of the Recommendation or when the need for reciprocation arises only after the measure was first introduced.

Recommendation C – Reciprocation of other relevant authorities’ macroprudential policy measures

Recommendation C is divided into three sub-recommendations. It recommends that the relevant authorities reciprocate the macroprudential policy measures adopted by other relevant authorities and recommended for reciprocation by the ESRB. The modalities of how to reciprocate a macroprudential policy measure are also included, together with the deadline by which the relevant authorities are recommended to adopt reciprocating macroprudential policy measures.

In particular, while the relevant authorities are recommended to reciprocate the macroprudential policy measures recommended for reciprocation by the ESRB by implementing the same macroprudential policy measure implemented by the activating authority, if the latter is not available in national legislation, the relevant authorities are recommended to reciprocate, following consultation with the ESRB, with a macroprudential policy measure that has the most equivalent effect. Adopted and reciprocating measures should, insofar as possible, have the same activation date, and unless a specific deadline is otherwise recommended, the relevant authorities are recommended to adopt the reciprocating macroprudential policy measures no later than three months after the publication of the latest amendment to the Recommendation in the Official Journal of the European Union (OJ).

The macroprudential policy measures which are recommended for reciprocation by the ESRB are also listed under Recommendation C, while the Annex to the Recommendation provides detailed



measure-specific information for each of these measures. The ESRB recommended seven measures for reciprocation in the reference period. These are shown in the table in Section 4.1, together with the date of the recommendation for reciprocation.

Recommendation D – Notification of the reciprocation of other relevant authorities’ macroprudential policy measures

Recommendation D recommends that the relevant authorities notify the ESRB of their reciprocation no later than one month after the adoption of the reciprocating measure and outlines the formalities for the submission of the notification.

1.2 Implementation

The Recommendation also provides guidance on different aspects of its implementation, including the exemptions available to the relevant authorities.

While, in principle, the relevant authorities are recommended to reciprocate macroprudential policy measures adopted by other relevant authorities and recommended for reciprocation by the ESRB, they may also choose to exempt financial service providers with exposures below a set threshold from applying these reciprocating macroprudential policy measures. However, this can only be done where the financial service providers that have been given exemption have non-material exposures to the identified macroprudential risk in the jurisdiction where the relevant activating authority is applying the macroprudential measure in question (referred to as the “de minimis” principle). In addition, when making use of these exemptions, the relevant authorities are requested to follow the required formalities for reporting them to the ESRB, to closely monitor whether leakages and regulatory arbitrage materialise and to close the regulatory loophole if necessary.

Furthermore, if a relevant authority has already reciprocated a macroprudential policy measure adopted by a relevant activating authority in another Member State and disclosed this measure before it was recommended for reciprocation by the ESRB, the reciprocating measure would not need to be amended even if it differs from the measure implemented by the activating authority.

1.3 Timeline and reporting

The addressees of the Recommendation are requested to report to the ESRB and the Council every two years on the actions they take in response to the Recommendation, or to adequately justify any inaction. The first report was due by 30 June 2017 and the second reporting deadline, initially set for 30 June 2019, was postponed and later cancelled owing to the COVID-19 pandemic. A new deadline for the second report was then set for 30 June 2021. Therefore, this compliance report covers the four-year period from 1 July 2017 to 30 June 2021. Furthermore, in the event of shared responsibilities, relevant authorities should also coordinate with each other to provide the necessary information on time.



2 Methodology

Article 17 of the ESRB Regulation charges the ESRB with monitoring the compliance of addressees with ESRB recommendations. In accordance with Article 20 of the ESRB's Rules of Procedure,¹⁷ the ESRB assesses the actions and justifications undertaken and communicated by the addressees of ESRB recommendations in accordance with the “act or explain” mechanism described in Article 17 of the ESRB Regulation, whereby the addressee of a recommendation can either (i) take action in response to a recommendation, or (ii) adequately justify any inaction. The ESRB analyses the information provided by addressees and assesses whether the action taken duly achieves the objective of the Recommendation, or whether the justification provided for inaction is sufficient. This analysis results in an overall compliance grade being assigned to each addressee, reflecting the level of implementation they have achieved. The assessment is consistent with the methodology used in the assessment conducted in 2017.¹⁸

2.1 Grading methodology

The assessment was based on the submissions made by the addressees as at the reporting deadline of 30 June 2021, as specified in Section 2.3 of the Recommendation.

The detailed procedure for the assessment of compliance is set out in the Handbook. The assessment of the Recommendations was carried out by an Assessment Team comprising five assessors, including a Chair, endorsed by the ATC¹⁹ (see Annex I of this report). The Assessment Team conducted a four-eyes review, which means that the assessment of compliance of each addressee was conducted by two assessors. In the first phase, the first assessor assessed the compliance of an addressee with all recommendations, including sub-recommendations. In the second phase, the assessors evaluated the compliance of an addressee they had not evaluated in the first round, and checked whether their assessment was aligned with the assessment made by the first assessor. Any discrepancies were followed up until both assessors agreed on the grade to be assigned. The assessors were not directly involved in grading the performance of their own authorities. This procedure simplifies the vertical assessment method referred to in the Handbook while retaining the principle of the four-eyes review.

To establish a single grade for each sub-recommendation and recommendation, a four-step grading methodology is employed for each addressee, in line with the Handbook. Such a methodology is necessary to ensure full transparency of the single overall compliance grade and a high level of objectivity in the entire assessment process, while still allowing room for high-quality expert judgement, which can easily be identified and reviewed to understand the rationale behind the allocation of particular overall grades.

¹⁷ Decision of the European Systemic Risk Board of 20 January 2011 adopting the Rules of Procedure of the European Systemic Risk Board (ESRB/2011/1) (OJ C 58, 24.2.2011, p.4).

¹⁸ See [Summary compliance report – December 2021](#), ESRB.

¹⁹ Approved by the ATC via Written Procedure ATC/WP/2022/057 of 8 July 2022.



Step I – When assessing compliance with the recommendations, the implementation of each sub-recommendation is, in accordance with the established implementation standards, graded as either FC/LC/PC/MN/NC in the case of action (see the grading scale below), SE/IE in the case of inaction (see the grading scale below), or N/A if the sub-recommendation is not applicable.

The grading scale for action is as follows:

- **fully compliant (FC):** an addressee complies entirely with the requirements;
- **largely compliant (LC):** requirements have been met almost entirely and only negligible requirements remain to be implemented;
- **partially compliant (PC):** the most important requirements have been met; certain deficiencies affect the adequacy of the implementation, but without resulting in a situation where the given recommendation has not been acted upon;
- **materially non-compliant (MN):** the requirements have been fulfilled to a degree, resulting in a significant deficiency in the implementation;
- **non-compliant (NC):** almost none of the requirements have been met, even if steps have been taken towards implementation.

The grading scale for inaction is as follows:

- **sufficiently explained (SE):** a complete and well-reasoned explanation for the lack of implementation has been provided and if one or more of the sub-recommendations are intended to address a particular systemic risk that does not affect a particular addressee, such justification/explanation may be considered sufficient;
- **insufficiently explained (IE):** the explanation given for the lack of implementation is not sufficient to justify the inaction;
- **not applicable (NA):** the sub-recommendation does not apply to a particular addressee.

Step II – Compliance grades for every sub-recommendation are converted into a numerical grade (see the table below). These numerical grades are then weighted²⁰ and aggregated into a single numerical grade for each recommendation.

²⁰ For further details on the weights attributed to each sub-recommendation, see Section 2.2 of this report.



Table 1

Conversion table: compliance grades to numerical grades for sub-recommendations

Compliance grade	Numerical grade
Fully compliant (FC)	1
Largely compliant (LC)	0.75
Partially compliant (PC)	0.5
Materially non-compliant (MC)	0.25
Non-compliant (NC)	0
Sufficiently explained (SE)	1
Insufficiently explained (IE)	0
Not applicable (N/A)	N/A

Where a grade of "N/A" is assigned to a sub-recommendation, to avoid unfairly prejudicing the Member State being assessed (by allocating a numerical grade of "0"), or unfairly prejudicing the other Member States (by allocating a numerical grade of "1"), no numerical grade is allocated. Instead, the weights attributed to the sub-recommendations are adjusted by attributing the weight of the non-applicable sub-recommendation to the weights of the applicable sub-recommendations in accordance with the original weighting of the latter.²¹

²¹ For further details on how the weights for each sub-recommendation were adjusted in such cases, see Section 2.2 of this report.



The level of compliance is expressed in a colour-coded form*:

Table 2

Colour codes for level of compliance

Positive grades	Mid-grade	Negative grades
Fully compliant (FC) – Actions taken fully implement the recommendation		Materially non-compliant (MN) – Actions taken only implement a small part of the recommendation
Largely compliant (LC) – Actions taken implement almost all of the recommendation	Partially compliant (PC) – Actions taken only implement part of the recommendation	Non-compliant (NC) – Actions taken are not in line with the nature of the recommendation
Inaction sufficiently explained (SE) – No actions were taken but the addressee provided sufficient justification		Inaction insufficiently explained (IE) – No actions were taken and the addressee did not provide sufficient justification

*Please note that in this assessment the neutral grade “Not applicable” or “N/A” is also included in the grading scale.

Step III – The numerical grades for each recommendation are then weighted²² and aggregated into a single numerical grade for the entire Recommendation.

Step IV – Finally, the overall compliance grade is determined by converting the overall numerical grade for the entire Recommendation into a final grade for compliance using the conversion table below. Note that the final compliance grade terminology follows the grades for action, even if the addressee has been graded for inaction in some recommendations or sub-recommendations.

²² For further details on the weights attributed to each recommendation, see Section 2.2 of this report.



Table 3

Conversion table: overall compliance grades to numerical grades

Compliance grades	Numerical grades
Action	
FC	0.9 - 1
LC	0.65 - <0.9
PC	0.4 - <0.65
MN	0.15 - <0.4
NC	0 - <0.15

2.2 Weights

When establishing the weights for each recommendation and sub-recommendation, the Assessment Team took into consideration their relative importance in relation to the achievement of the policy objectives of the Recommendation as outlined in Section 1 of this report. The Assessment Team followed the approach taken by the first assessment team (which checked compliance at 30 June 2017), whereby the recommendations and sub-recommendations that have a substantive nature, as opposed to those that have a more procedural nature, are given more importance and are thus assigned a higher weight.

Accordingly, the weights assigned by the Assessment Team to each recommendation and sub-recommendation are as follows:



Table 4

Weights assigned to each (sub-)recommendation

Recommendation	Weight	Sub-recommendation	Weight
A	0.4	A1	0.5
		A2	0.3
		A3	0.2
B	0.1	B1	0.5
		B2	0.25
		B3	0.25
C	0.4	C1	0.6
		C2	0.3
		C3	0.1
D	0.1	D	1

As described in Section 2.1 of this report, where a grade of “N/A” was attributed to an addressee in relation to a particular sub-recommendation, no numerical grade was assigned. Instead, the weights attributed to sub-recommendations were adjusted by attributing the weight of the non-applicable sub-recommendation to the weights of the applicable sub-recommendations in accordance with the original weighting of the latter.

To adjust the weights in such cases, the following methodology was adopted:

Step 1 - The weight of each applicable sub-recommendation was first expressed as a percentage of all applicable sub-recommendations within the same recommendation.

Step 2 - The weight of the non-applicable sub-recommendation was then redistributed among the other applicable sub-recommendations according to their relative weights obtained in Step 1.

Step 3 - The results obtained in Step 2 were then added to the original weight of each applicable sub-recommendation.

This ensured that the weights of the applicable sub-recommendations would continue to add up to “1”, or “0” if none of the sub-recommendations were applicable.



The Assessment Team established that the only sub-recommendations which could be deemed not to be applicable to a particular addressee in relation to all the measures activated by the relevant activating authority were sub-recommendations B(2) and B(3). Similarly, under Section 2.2.2 of the Recommendation, the Assessment Team determined that in relation to the measures recommended for reciprocation by the ESRB, the only sub-recommendations which could be deemed not to be applicable to a particular addressee were sub-recommendations C(2) and C(3). The Assessment Team further established that Recommendation D could be deemed not to be applicable to a particular addressee when the addressee decided not to reciprocate the measure recommended for reciprocation (see Section 3.3).

Accordingly, the applicable adjusted weights for Recommendations B and C²³ would be as follows:

Table 5

Applicable adjusted weights for Recommendations B and C

Recommendation	Sub-recommendation	Weight (original)	Applicability	Adjusted weight
B	B1	0.5	Applicable	0.67
	B2	0.25	Not applicable	0
	B3	0.25	Applicable	0.33
B	B1	0.5	Applicable	0.67
	B2	0.25	Applicable	0.33
	B3	0.25	Not applicable	0
B	B1	0.5	Applicable	1
	B2	0.25	Not applicable	0
	B3	0.25	Not applicable	0
C	C1	0.6	Applicable	0.86
	C2	0.3	Not applicable	0
	C3	0.1	Applicable	0.14

²³ The weight does not change for recommendation D as there are no sub-recommendations.



2.3 Compliance criteria and implementation standards

The Recommendation does not set out compliance criteria. The Assessment Team mainly used the same compliance criteria drafted by the first assessment team (that checked for compliance in the period ending 30 June 2017), with some minor amendments to keep the grading consistent over time. The compliance criteria and more details of the implementation standards applied can be found in Annex III to this report.

2.4 Principle of fairness, consistency and transparency

As the Recommendation targets: (i) all the macroprudential policy measures activated by the relevant activating authorities, and (ii) the reciprocation of all macroprudential policy measures recommended for reciprocation by the ESRB, for the purposes of this particular assessment, an assessment of compliance at the level of each activated measure and/or each measure recommended for reciprocation was also required to ensure that the overall grade awarded to each sub-recommendation for each addressee respects the principle of fairness, consistency and transparency as outlined in the Handbook.

In particular, given that: (i) the number of activated macroprudential policy measures differs between one Member State and another, and (ii) the level of compliance with each sub-recommendation of each relevant activating authority also differs between one activated measure and another, as well as between one measure recommended for reciprocation and another, such an approach was considered necessary to prevent the arbitrary attribution of grades owing to the number of different variables that could exist in the implementation by one addressee and another.

Accordingly, to assign a grade to an addressee for each sub-recommendation, the following two-step approach was adopted by the Assessment Team:

Step A – When assessing compliance with each sub-recommendation in accordance with Step 1 of the grading methodology, assessors first analysed the addressees' compliance with the relevant sub-recommendation for each activated measure and/or each measure recommended for reciprocation, and graded this compliance in accordance with the grading scales for action, inaction and non-applicability outlined in Step 1 of the grading methodology.

Step B – Where the grades for each activated measure and/or each measure recommended for reciprocation differed, the grade assigned to each addressee for the implementation of an individual sub-recommendation for all the measures activated by the relevant activating authority and/or for all the measures recommended for reciprocation by the ESRB, were established by computing the simple average of the individual numerical grades for the different measures.²⁴

However, the Assessment Team also agreed that, based on the full list of principles that should be observed when undertaking the assessment, as outlined in the Handbook, and notwithstanding the two-step approach described above, assessors have the discretion to override this rule and adjust the score. In line with the methodology outlined in the

²⁴ The numerical grades were calculated using the conversion table provided in Step II of the grading methodology.



Handbook, this allowed the Assessment Team to adjust the mechanical score where this was mostly driven by a measure that contributed very little to the policy objectives of the Recommendation.

2.5 Principle of proportionality

In line with EU legislation, the Handbook recognises the importance of the principle of **proportionality**. Based on principle, the Assessment Team took into account the intensity of spillover risks in its assessment.

In particular, where a macroprudential policy measure activated by a relevant activating authority is considered to have a large potential for spillover effects, the relevant activating authority would be expected to carry out the assessment recommended in Recommendation A more thoroughly. By contrast, if the potential for spillover effects is considered to be limited, unless an assessment of cross-border effects is required under Union legislation, the relevant activating authorities would not be expected to carry out the assessment recommended in Recommendation A more thoroughly.

Table 6

Relative importance of main transmission channels of macroprudential instruments

Degree of importance of the channels for spillovers			Cross-border risk adjustment			Network and contagion		Regulatory arbitrage		Lending					
<div style="display: flex; flex-direction: column; align-items: center;"> <div style="width: 15px; height: 15px; background-color: red; margin-bottom: 5px;"></div> Potentially strong transmission <div style="width: 15px; height: 15px; background-color: orange; margin-bottom: 5px;"></div> Potentially medium-strong transmission <div style="width: 15px; height: 15px; background-color: yellow; margin-bottom: 5px;"></div> Potentially weak-medium transmission <div style="width: 15px; height: 15px; background-color: lightgreen; margin-bottom: 5px;"></div> Transmission channel considered to be weak or absent </div>			Legal basis / consolidation			Adjustments of cross-border credit exposures	Cross-border loan origination inward spillover	Adjustments of cross-border securitisation activity	Access to cross-border capital markets	Adjustments of cross-border liquidity/funding lines	Adjustment of asset prices	Capital regulatory arbitrage	Liquidity regulatory arbitrage	Shadow banking activity	Altering relative cross-border cost of lending
Capital instruments	Global systemically important institution buffer (G-SII)/ Other systemically important institution buffer (O-SII)	consolidated level													
	Systemic risk buffer/ Other systemically important institution buffer (O-SII)	consolidated level sub-consolidated/ solo level (exposure-based)													
	Counter-cyclical buffers	consolidated level													
	Leverage ratio	consolidated level													
Sectoral choice	Sector-specific capital buffers, large exposure restrictions	exposure-based													
	Risk weights Loss given defaults	exposure-based													
	Loan-to-value, loan-to-income, debt-to-income, debt-servicing-to-income (on new loans)	exposure-based													
Liquidity positions	Liquidity coverage ratio, liquidity charges	consolidated level													
	Net stable funding ratio	consolidated level													
	Loan-to-deposit	consolidated level solo level													

Source: The ESRB Handbook on operationalising macroprudential policy in the banking sector, p. 239.



3 General remarks

This assessment was primarily based on the follow-up reports submitted by each relevant authority to the ESRB under Section 2.3.1 of Recommendation ESRB/2015/2. When needed, such as in cases where the information provided was not completely clear or comprehensive, the Assessment Team also checked a selection of the notification templates that the relevant authorities had submitted to the ESRB during the reference period.

Pursuant to Article 5(2) of the SSM Regulation,²⁵ if deemed necessary, the ECB may apply higher requirements for capital buffers than those applied by the NCAs or NDAs of the participating Member States to be held by credit institutions. This is broadly referred to as a “top-up power” of the ECB. These powers were not exercised during the reference period of this assessment, so the ECB has been excluded from its scope.

3.1 Scope

When comparing the information provided by the addressees with the information published by the ESRB on its website in the “Overview of national macroprudential measures”, and when making a comparative assessment of the addressees’ compliance with the Recommendation, it became evident to the Assessment Team that the broad scope of the Recommendation may not be sufficiently clear.

Section 2.1 of the Recommendation defines a “macroprudential policy measure” as any measure that addresses the prevention and mitigation of systemic risk as defined in Article 2(c) of the ESRB Regulation that is adopted or activated by a relevant authority subject to Union or national law. Furthermore, Article 2(c) of the ESRB Regulation defines systemic risk as “a risk of disruption in the financial system with the potential to have serious negative consequences for the internal market and the real economy. All types of financial intermediaries, markets and infrastructure may be potentially systemically important to some degree.”²⁶ It is therefore evident that the objective of the Recommendation is neither limited to macroprudential policy measures addressed solely to the banking sector nor to the macroprudential policy measures which are explicitly provided for under Union law. This is further substantiated by Recital 12 of the Recommendation, which states that the Recommendation is intended to cover all macroprudential policy measures, irrespective of which part of the financial system they address. This recital adds that the Recommendation goes beyond the application of macroprudential policy instruments provided for in the CRD and the CRR, and is therefore intended to also cover measures that have not been harmonised under Union law.

²⁵ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63-89).

²⁶ Article 2(c) of the ESRB Regulation was amended by Regulation (EU) 2019/2176 of the European Parliament and of the Council of 18 December 2019 amending Regulation (EU) No 1092/2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board.



It would therefore be beneficial if further discussions were to be carried out on the matter among the members of the ESRB General Board to provide addressees of the Recommendation with a clearer understanding of the broad scope of the Recommendation.

When carrying out the assessment, the Assessment Team acknowledged that the inconsistent interpretation of the scope of the Recommendation by addressees could mean that the ESRB might not have been notified of all the adopted macroprudential policy measures. Therefore, to carry out a complete and thorough assessment of the addressees' compliance with the Recommendation, the Assessment Team would have to (i) agree on an exhaustive list of macroprudential policy measures deemed to be within the scope of the Recommendation, including measures whose macroprudential nature is still under debate, (ii) identify all the authorities entrusted with the adoption and/or activation of the list of macroprudential policy measures, and (iii) check all the publications made by these authorities to ensure that the ESRB was notified of every such measure. In line with the first assessment team that checked compliance for the period up to 30 June 2017, the Assessment Team is of the opinion that a discussion on the definition of "macroprudential policy measure" falls outside its remit should be debated and clarified at a higher level. In addition, for the purpose of this assessment, even if such an analysis were to be undertaken, its benefits would be outweighed by the amount of time that would be required to carry out such a task, thereby rendering the current assessment outdated.

Accordingly, when carrying out the assessment, the Assessment Team only took into consideration macroprudential policy measures which were mentioned in the reports submitted to the ESRB under Section 2.3.1 of the Recommendation, and when necessary any additional measures notified to the ESRB in accordance with sub-recommendation B(1).

In addition, during the assessment it became clear that some addressees had adopted recommendations and/or guidelines of a non-binding nature in order to implement macroprudential policy measures. While the Assessment Team acknowledged that the national mandate of relevant authorities may differ between one Member State and another, it also determined that for the purpose of this assessment, non-binding measures should not be deemed to be within the scope of the assessment, even though they might have been included in the "Overview of national macroprudential measures" published on the ESRB's website. Further clarification could also be provided to addressees as to whether in these cases Recommendations A and B should also be applicable.

3.2 Measures harmonised under Union law

Addressees were also found to have different interpretations of the extent to which the Recommendation should be applicable to the setting of macroprudential policy measures harmonised under Union law.

For the identification of global systemically important institutions (G-SIIs), Article 131(2) of the CRD requires the identification methodology for G-SIIs to be based, inter alia, on the cross-border activity of the group, including cross-border activity between Member States and between a Member State and a third country. Furthermore, Article 131(12) of the CRD requires competent or designated authorities to perform an annual review of the identification of G-SIIs and their allocation



to the respective sub-categories and to report the results to the ESRB, among other entities. Consequently, as the allocation of G-SIIs to their respective sub-categories will determine their relevant G-SII buffer, it should be clarified that whenever such reviews are undertaken, the ESRB should be notified, even if the same G-SIIs are identified and irrespective of whether they are allocated to the same or to different sub-categories. Furthermore, in accordance with the Recommendation, in such cases addressees should also carry out an assessment of cross-border effects as recommended under Recommendation A and follow the required notification formalities in accordance with Recommendation B.

With regard to the identification of other systemically important institutions (O-SIIs), even though Article 131(12) of the CRD also requires competent or designated authorities to review the identification of O-SIIs annually and to report the results to ESRB, among other entities, the Assessment Team did not deem this identification to constitute a macroprudential policy measure as defined in the Recommendation given that this is a separate process from the setting of the O-SII buffer. However, going forward, further clarification could be provided to addressees about this aspect of the Recommendation to establish whether a full assessment of cross-border effects should also be carried out in such cases, and consequently, whether Recommendations A and B should also be applicable.

In addition, with regard to the setting of the O-SII buffer, Article 131(6)(a) of the CRD states that the O-SII buffer must not entail disproportionate adverse effects on the whole or parts of the financial system of other Member States or of the Union as a whole forming or creating an obstacle to the proper functioning of the internal market, whereas the notification to be sent before setting or resetting an O-SII buffer should, in accordance with Article 131(7) of the CRD contain a detailed description that includes “the justification for why the O-SII buffer is considered likely to be effective and proportionate to mitigate the risk” and “an assessment of the likely positive or negative impact of the O-SII buffer on the internal market, based on information which is available to the Member State”. Consequently, it should be clarified that the ESRB should be notified even if the O-SII buffer is reset at the same level. Furthermore, in accordance with the Recommendation, in such cases addressees should also carry out the assessment of cross-border effects recommended under Recommendation A and follow the required notification formalities in accordance with Recommendation B. In addition, in line with Article 131(6)(b) of the CRD which requires the O-SII buffer to be reviewed at least once a year, addressees should also be expected to submit the required notifications, including the relevant assessment of cross-border effects, to the ESRB at least annually.

Similarly, to set the systemic risk buffer, Article 133(8)(a) of the CRD states that the “systemic risk buffer must not entail disproportionate adverse effects on the whole or parts of the financial system of other Member States or of the Union as a whole forming or creating an obstacle to the functioning of the internal market”, while the notification to be sent before setting or resetting a systemic risk buffer rate should, in accordance with Article 133(9) of the CRD, describe in detail “the justification for why the systemic risk buffer is considered likely to be effective and proportionate to mitigate the risk” and provide “an assessment of the likely positive or negative impact of the systemic risk buffer on the internal market, based on information which is available to the Member State”, among other actions. Consequently, it should also be clarified that the ESRB should be notified even if the systemic risk buffer is reset at the same level. Furthermore, in



accordance with the Recommendation, in such cases addressees should also carry out the assessment of cross-border effects recommended under Recommendation A and follow the required notification formalities in accordance with Recommendation B. In addition, addressees should be expected to submit the required notifications to the ESRB, including the relevant assessment of cross-border effects, every two years.

With regard to the setting of the countercyclical buffer (CCyB) rate, Article 136(7) CRD IV requires the quarterly announcement of the setting of the CCyB rate to include a justification for said buffer rate, irrespective of the rate set. Consequently, even if the CCyB rate is set at zero, addressees should also carry out the assessment of cross-border effects recommended under Recommendation A and follow the required notification formalities in accordance with Recommendation B. In addition, the addressees should be expected to submit the required notifications to the ESRB, including the relevant assessment of cross-border effects, every quarter. Article 136(7) has been amended by CRD V and now requires the designated authorities to only notify the ESRB of changes in the CCyB rate. However, the amended notification formalities do not apply in this assessment period given that the deadline for transposition into national law was 29 December 2020.

Where an assessment or justification of cross-border effects is not required under Union law, the approach taken by the Assessment Team is that, in these cases, a full assessment of cross-border effects would only be warranted where such effects could reasonably be expected. As described in Section 2.4 of this report, the Assessment Team was guided by Chapter 11 of the ESRB Handbook on Operationalising Macro-prudential Policy in the Banking Sector, in particular, Table 11.2 thereof. However, going forward, the ESRB could consider clarifying the measures for which a full assessment of cross-border effects in accordance with Recommendation A would be expected from addressees.

It should also be clarified that even though the Recommendation is not intended to apply to macroprudential policy measures for which Union law already requires mandatory recognition, in accordance with Recital 8 of the Recommendation, Recommendations A and B are still applicable in such cases. Consequently, for macroprudential policy measures adopted under Articles 124(5) and 164(9) of the CRR, an assessment of cross-border effects in accordance with Recommendation A should still be undertaken by addressees and the ESRB should also be notified in accordance with Recommendation B. Furthermore, for the setting of the CCyB rate, while mandatory recognition is established in the CRR for rates set below 2.5%, the full reciprocation of these rates between Member States is already advocated by Recommendation ESRB/2014/1. Consequently, irrespective of the rate set, even though the framework for voluntary reciprocity set out in the Recommendation is not applicable to the setting of CCyB rates, Recommendations A and B are still applicable.

Furthermore, the Assessment Team deemed the use of the derogations provided for Member States in Articles 130(2) and 160(6) of the CRD in relation to the institution-specific CCyB, which respectively allow Member States to exempt small and medium-sized investment firms from the requirement to maintain this buffer and allow them to impose a shorter transitional period than that specified in paragraphs 1 to 4 of Article 160 of the CRD, to constitute a deviation from a macroprudential policy measure. Consequently, the Assessment Team determined that in such cases Recommendations A and B should also be applicable, that an assessment of the cross-



border effects arising from the use of such derogations should also be carried out, and that the ESRB should be notified accordingly. In this respect, further discussions could also be warranted to clarify whether such assessments and their respective notifications should be expected from addressees in relation to the use of derogations from the institution-specific CCyB.

The Assessment Team also deemed the use of the derogations provided for Member States in Articles 129(2) and 160(6) of the CRD in relation to the capital conservation buffer, which respectively allow Member States to exempt small and medium-sized investment firms from the requirement to maintain this buffer and allow them to impose a shorter transitional period than that specified in paragraphs 1 to 4 of Article 160 of the CRD, to constitute a deviation from a macroprudential policy measure. Consequently, the Assessment Team determined that in such cases, Recommendations A and B should also be applicable, that an assessment of the cross-border effects arising from the use of such derogations should also be carried out and that the ESRB should be notified accordingly. Further discussions could therefore also be warranted to clarify whether such assessments and the respective notifications should be expected from addressees in relation to the use of derogations from the institution-specific CCyB.

By contrast, where Member States do not use the derogations provided in Article 129(2) and Article 160(6) of the CRD in relation to the capital conservation buffer, the Assessment Team determined that since the use of this buffer is mandatory, addressees of the Recommendation should not have been expected to submit notifications to the ESRB when the Recommendation entered into force. Articles 129(2) and 130(2) of the CRD have been deleted in CRD V, which entered into force on 27 June 2019 and had to be implemented in national law by 28 December 2020. During the reference period for this assessment (up to 28 December 2020), Articles 129(2) and 130(2) of the CRD were still in place.

3.3 Non-reciprocation

For practical reasons, the date of the entry into force of the decision not to reciprocate a measure is deemed to be the date when the decision not to reciprocate was taken. Notifications of non-reciprocation should also be sent no later than one month after the decision not to reciprocate the measure has been taken. The Assessment Team also noted that the relevant authorities that choose not to reciprocate a macroprudential policy measure recommended for reciprocation by the ESRB do not always notify the ESRB of their non-reciprocation. However, the Assessment Team acknowledges that the wording of Recommendation D does not fully clarify whether notification of a decision not to reciprocate is necessary. While the Assessment Team is of the opinion that the relevant authorities should be expected to also notify the ESRB of the non-reciprocation of macroprudential policy measures recommended for reciprocation in accordance with the formalities set out in Recommendation D, those relevant authorities that did not notify their non-reciprocation have not been penalised if justifications were provided in the reports submitted to the ESRB under Section 2.3.1 of the Recommendation. However, it could also be clarified that in the event of non-reciprocation, the relevant authorities are still expected to notify the ESRB.



3.4 Adoption, activation and notification dates

As sub-recommendation B(1) recommends that the relevant authorities notify the ESRB of any adopted macroprudential policy measures no later than two weeks after their adoption, sub-recommendation C(3) recommends that the relevant authorities adopt reciprocating macroprudential policy measures no later than three months following the publication of the relevant amendment of the Recommendation in the OJ, and Recommendation D recommends that the relevant authorities notify the ESRB of their reciprocation of other relevant authorities' macroprudential policy measures no later than one month after the reciprocating measure has been adopted, the adoption date of all activated and reciprocating measures was important for determining the addressees' level of compliance with the Recommendation in accordance with the implementation standards. Therefore, the date of adoption of activated and reciprocating measures is deemed to be the date the final and binding decision to adopt the relevant macroprudential policy measure was taken, which is to be distinguished from the date that the intention to adopt the macroprudential policy measure in question is published. Moreover, while the ex ante notification of the macroprudential policy measures which relevant authorities intend to adopt is not only appreciated but also encouraged, the relevant authorities should be expected to inform the ESRB of the actual adoption date once the final binding decision has been taken.

Similarly, given that sub-recommendation C(3) states that adopted and reciprocating measures should, insofar as possible, have the same activation date, the activation dates of both activated and reciprocating measures also had an impact on the addressees' level of compliance with the Recommendation. It should therefore be clarified that the activation date refers to the date on which the relevant macroprudential policy measure entered into force.

By contrast, the notification date is the date on which the relevant macroprudential policy measure is notified to the ESRB in accordance with the formalities outlined in sub-recommendation B(1) and Recommendation D. As sub-recommendation B(1) recommends that the relevant authorities notify the ESRB of any adopted macroprudential policy measures no later than two weeks after their adoption and Recommendation D recommends that the relevant authorities notify the ESRB of their reciprocation of other relevant authorities' macroprudential policy measures no later than one month after the reciprocating measure has been adopted, the notification date of both activated and reciprocating measures also had an impact on the addressees' level of compliance in accordance with the implementation standards. Even though sub-recommendation B(1) recommends that addressees notify the ESRB of macroprudential policy measures as soon as they are adopted since, as explained above, the ex ante notification of macroprudential policy measures that the relevant authorities intend to adopt is not only appreciated but encouraged, the relevant authorities that only submitted an ex ante notification without submitting a follow-up ex post notification were not penalised. However, it should be clarified that in these cases, the relevant authorities should be expected to follow up the ex ante notification with an ex post notification to confirm to the ESRB that the relevant macroprudential policy measure has been adopted, that the measure has been adopted as originally intended and to confirm or update the relevant adoption and activation dates.



4 Conclusions

This second assessment of the Recommendation highlights the diversity of macroprudential instruments – and the policies pursued – by addressees to mitigate systemic risk and increase the resilience of the financial sector, thus promoting financial stability.

In general terms, the Recommendation has been fully implemented by most of the addressees, i.e. the authorities entrusted with the adoption and/or activation of macroprudential policy measures, including NDAs, NCAs, the macroprudential authorities with the objectives, arrangements, powers, accountability requirements and other characteristics set out in Recommendation ESRB/2011/3, and the ECB (where top-up powers are exercised, which did not happen in the reference period). The results of the assessment point to a high degree of compliance with the Recommendation, with 26 of the 30 countries receiving an overall compliance grade of fully compliant, four receiving an overall compliance grade of largely compliant and none receiving a lower overall compliance grade.

Recommendations A and B pertain to relevant authorities' assessment of the cross-border effects of their own macroprudential measures, and the notification and reciprocation requests related to these measures submitted to the ESRB. With regard to compliance with Recommendation A – the assessment of cross-border effects of relevant authorities' own macroprudential policy measures –, 26 countries are graded as fully compliant and four countries are graded largely compliant. The four authorities awarded a compliance grade of less than fully compliant could have done more in their analysis of the cross-border impact of their macroprudential measures and/or in their periodically monitoring of this aspect. With regard to compliance with Recommendation B – notification and reciprocation requests with regard to relevant authorities' own macroprudential policy measures –, 21 countries are graded as fully compliant or inaction sufficiently explained, seven countries are graded as largely compliant and two as partially compliant. This was mainly the result of delays in notifying the ESRB of activated macroprudential measures, meaning that the notification was sent later than two weeks after the adoption of the measure.

Recommendations C and D relate to relevant authorities' decisions to reciprocate other Member States' macroprudential measures and notifications of such reciprocation decisions to the ESRB. The four measures that are recommended by the ESRB for reciprocation that are within the scope of this assessment are those set out in Recommendations ESRB/2018/5 (the Belgian Article 458 measure), ESRB/2018/8 (the French large exposure measure), ESRB/2019/1 (the Swedish Article 458 measure), ESRB/2020/16 (the Finnish Article 458 measure).²⁷ With regard to compliance with Recommendation C – reciprocation of other relevant authorities' macroprudential policy measures –, only one country is graded as less than fully compliant, namely largely compliant. However, the breakdown of scores in sub-recommendations C1, C2 and C3 shows that several authorities adopted reciprocating measures with a substantial delay, i.e. later than three months after the publication of the latest amendment of this recommendation in the OJ. With regard to compliance with Recommendation D – notification of the reciprocation of other relevant authorities'

²⁷ See the table in Section 4.1 for more information on the measures within the scope of Recommendations C and D.



macroprudential policy measures –, only three countries are graded as less than fully compliant or inaction sufficiently explained, of which one is rated as largely compliant, one as partially compliant and one as materially non-compliant. These three authorities notified the ESRB with a substantial delay of the reciprocation of other relevant authorities' macroprudential measures, i.e. more than one month after the reciprocating measure was adopted. It should be noted that Recommendation D was not deemed to be applicable for 18 authorities. This is because the Assessment Team decided to not assess the existence or timeliness of notifications for measures that were recommended for reciprocation but were not reciprocated as a result of the application of the de minimis threshold.

Notwithstanding the generally positive outcome of the assessment, it is important to keep in mind that some of the sub-recommendations of the Recommendation lack precision as regards the full scope of macroprudential measures to be assessed and notified by activating (or reciprocating) authorities and of the granularity of the cross-border spillover assessment.

Although the Recommendation provides a definition of “macroprudential measure”, this is somewhat extensive and was not always clear to the authorities.

First, some macroprudential authorities implemented macroprudential measures through recommendations which de facto take the form of measures subject to compliance (even if only by means of strong moral suasion). Recommendations or any other soft law measure of a macroprudential nature should fall within the full scope of the Recommendation, including the requirement to carry out analyses of cross-border spillovers and notification of the measure. Moreover, even “pure” recommendations should ideally also be known to the ESRB, as they provide indications about the intended policy directions of the activating authorities.

Second, the degree of analysis of cross-border spillovers expected from national authorities should be specified in the Recommendation. In the absence of clear guidance, the Assessment Team accepted most statements on expected cross-border spillovers from the national authority as sufficient and, where not provided, did not downgrade authorities where, in the view of the Assessment Team, no meaningful cross-border spillovers could have been reasonably expected. Going forward, however, there would be merit in clarifying minimum requirements for cross-border spillover analyses, and the results of these analyses could be expected to appear in the respective sections of the notification templates.

Another important aspect which the Assessment Team believes should be highlighted concerns the non-reciprocation of macroprudential measures where reciprocation is voluntary and has been requested by the activating authority. The current wording of Recommendation D requiring the notification of a decision to not reciprocate is ambiguous. The Recommendation ought to establish that non-reciprocation of measures recommended for reciprocation by the ESRB should also be notified or explained. The ESRB and its membership would benefit from being informed about non-reciprocating decisions and the reasons for non-reciprocation in order to monitor policy practices, and for transparency purposes. Therefore, the authorities should also be encouraged to notify decisions not to reciprocate measures.



On the more procedural aspects regarding the notification of the activation (and reciprocation/non-reciprocation) of macroprudential instruments, the Assessment Team considers that it would be beneficial to expressly establish in the Recommendation that notifications must be made directly to the ESRB using existing templates. Where notification has taken place ahead of the activation of a macroprudential measure (which is advisable, as the activating authorities would definitely benefit from input from the ESRB if required), the activation must be confirmed (and complemented if applicable) once it has taken place. Experience shows that the macroprudential authorities did not always activate their intended measures. Moreover, calibration or configuration of a pre-notified macroprudential measure may be different when it is activated by the competent body.

Finally, it should be noted that the assessment in this report offers a snapshot of macroprudential policy during the reference period. The assessment allows the ESRB to better understand how macroprudential policy differs across countries and over time, and the rationale behind these differences.



Annexes

1 Members of the Assessment Team

(approved by the ATC via Written Procedure ATC/WP/2022/057, 8 July 2022)

Chair	Institution
Julja Prodani	De Nederlandsche Bank
Assessment Team	
Mihai Aliman	Banca Națională a României
Lucas Hafemann	(formerly) Banque centrale du Luxembourg
Katerina Lagaria	Bank of Greece
Eva Soares	Banque de France
Secretariat	
Jari Friebel	ESRB Secretariat
Kiki Kuijs	ESRB Secretariat
Stamatis Vasilakos	ESRB Secretariat



2 Recommendation ESRB/2015/2 as at 30 June 2021

Section 1

RECOMMENDATIONS

Recommendation A – Assessment of cross-border effects of relevant authorities' own macroprudential policy measures

1. The relevant activating authorities are recommended to assess, prior to their adoption, the cross-border effects of the implementation of their own macroprudential policy measures. At the very least, the spillover channels operating via risk adjustment and regulatory arbitrage should be assessed, using the methodology set out in Chapter 11 of the ESRB Handbook.
2. The relevant activating authorities are recommended to assess the possible: (a) cross-border effects (leakages and regulatory arbitrage) of the implementation of macroprudential policy measures in their jurisdiction; and (b) cross-border effects on other Member States and on the Single Market of any proposed macroprudential policy measures.
3. The relevant activating authorities are recommended to monitor at least once a year the materialisation and evolution of the cross-border effects of the macroprudential policy measures they have introduced.

Recommendation B – Notification and reciprocation request with regard to relevant authorities' own macroprudential policy measures

4. The relevant activating authorities are recommended to notify the ESRB of macroprudential policy measures as soon as they are adopted, and no later than two weeks after their adoption. Notifications should include an assessment of cross-border effects and of the necessity for reciprocation by other relevant authorities. The relevant activating authorities are requested to provide the information in English using the templates published on the ESRB's website.
5. If reciprocation by other Member States is deemed necessary to ensure the effective functioning of the relevant measures, the relevant activating authorities are recommended to submit a request for reciprocation to the ESRB, together with the notification of the measure. The request should include a proposed materiality threshold.
6. If macroprudential policy measures were activated prior to the adoption of this Recommendation, or if reciprocation was not considered necessary when the measures were first introduced, but the relevant activating authority has subsequently decided that such reciprocation has become necessary, the relevant activating authorities are recommended to submit a request for reciprocation to the ESRB.



Recommendation C – Reciprocation of other relevant authorities’ macroprudential policy measures

The relevant authorities are recommended to reciprocate the macroprudential policy measures adopted by other relevant authorities and recommended for reciprocation by the ESRB. It is recommended that the following measures, as further described in the Annex, be reciprocated:

Belgium:

- a risk-weight add-on for retail exposures secured by residential immovable property located in Belgium, applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 to credit institutions authorised in Belgium, using the IRB Approach for calculating regulatory capital requirements and composed of:
 - (a) a flat risk-weight add-on of 5 percentage points; and
 - (b) a proportionate risk-weight add-on consisting of 33 per cent of the exposure-weighted average of the riskweights applied to the portfolio of retail exposures secured by residential immovable property located in Belgium;

France:

- a tightening of the large exposure limit provided for in Article 395(1) of Regulation (EU) No 575/2013, applicable to exposures to highly-indebted large non-financial corporations having their registered office in France to 5 per cent of eligible capital, applied in accordance with Article 458(2)(d)(ii) of Regulation (EU) No 575/2013 to global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs) at the highest level of consolidation of their banking prudential perimeter;

Luxembourg:

- legally binding loan-to-value (LTV) limits for new mortgage loans on residential real estate located in Luxembourg, with different LTV limits applicable to different categories of borrowers:
 - (a) LTV limit of 100 % for first-time buyers acquiring their primary residence;
 - (b) LTV limit of 90 % for other buyers, i.e. non first-time buyers acquiring their primary residence. This limit is implemented in a proportional way via a portfolio allowance. Specifically, lenders may issue 15 % of the portfolio of new mortgages granted to these borrowers with an LTV above 90 % but below the maximum LTV of 100 %;
 - (c) LTV limit of 80 % for other mortgage loans (including the buy-to-let segment).



Norway:

- a 4,5 % systemic risk buffer rate for exposures in Norway, applied in accordance with Article 133 of Directive 2013/36/EU, as applied to and in Norway on 1 January 2020 pursuant to the terms of the Agreement on the European Economic Area (*) (EEA Agreement) (hereinafter the 'CRD as applicable to and in Norway on 1 January 2020'), to all credit institutions authorised in Norway;
- a 20 % average risk weight floor for residential real estate exposures in Norway, applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013, as applied to and in Norway on 1 January 2020 pursuant to the terms of the EEA Agreement (hereinafter the 'CRR as applicable to and in Norway on 1 January 2020'), to credit institutions, authorised in Norway, using the internal ratings-based (IRB) approach for calculating regulatory capital requirements;
- a 35 % average risk weight floor for commercial real estate exposures in Norway, applied in accordance with Article 458(2)(d)(vi) of the CRR as applicable to and in Norway on 1 January 2020 to credit institutions authorised in Norway, using the IRB approach for calculating regulatory capital requirements.

Sweden:

- a credit institution-specific floor of 25 per cent for the exposure-weighted average of the risk weights applied to the portfolio of retail exposures to obligors residing in Sweden secured by immovable property in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 to credit institutions authorised in Sweden using the IRB Approach for calculating regulatory capital requirements.

Recommendation D – Notification of the reciprocation of other relevant authorities' macroprudential policy measures

The relevant authorities are recommended to notify the ESRB of their reciprocation of other relevant authorities' macroprudential policy measures. Notifications should be sent no later than one month after the reciprocating measure has been adopted. The notifying authorities are requested to provide the information in English, using the template published on the ESRB's website.



3 Compliance criteria and implementation standards

Implementation standards for ESRB/2015/2

1. Introduction

According to the Handbook on the assessment of compliance with ESRB recommendations (the “Handbook”), implementation standards are “specifications for each recommendation, detailing how different actions/inactions relating to each sub-recommendation are to be graded, based on the importance of the role those actions/inactions play in the fulfilment of the requirements of the specific sub-recommendation”. Moreover, the following principles should be observed while making the assessment:

- fairness, consistency and transparency – equal treatment of all addressees throughout the assessment process;
- efficiency and appropriateness of procedures with regard to available resources while ensuring high quality of the deliverables;
- four-eyes review – compliance of each addressee is assessed by at least two assessors;
- effective dialogue – communication with addressees is essential; the aim should be to fill in the information gaps on compliance;
- principle of proportionality – actions to be taken by the addressees are country-specific, and relate to the intensity of risks targeted by the recommendation in the specific Member State; and
- ultimate objective – prevention and mitigation of systemic risks to financial stability in the EU.

Key elements of the assessment are (see page 12 of the Handbook):

1. implementation standards: specifications for each recommendation, detailing how different actions/inactions relating to each sub-recommendation are to be graded, based on the importance of the role those actions/inactions play in the fulfilment of the requirements of the specific sub-recommendation;
2. the weights allocated to the different elements of the recommendation, which are, as a rule, set out in the recommendation (if not, they should be set out at this stage); and
3. the principle of proportionality, if applicable.

From the outset, it seems that the principle of proportionality is relevant in this case. The intensity of risks related to spillovers, and the possible need for reciprocity, should ultimately be reflected in the assessment. Consequently, in accordance with the compliance criteria, with the exception of macroprudential policy measures for which a justification or an assessment of cross-border effects



is specifically required by the provisions of the CRD, authorities only need to assess spillovers if these could reasonably have been expected.

Furthermore, relevant authorities should also be able to carry out the assessment of cross-border effects in accordance with Chapter 11 of the ESRB Handbook on operationalising macroprudential policy in the banking sector (the “ESRB Handbook”), which provides guidance with regard to the ex ante expectations, in particular based on the design of the measure (see next section).

2. Further considerations

2.1. From the ESRB Handbook

The starting point of the compliance criteria is that all national macroprudential policy measures fall under the scope of Recommendation ESRB/2015/2, i.e. spillover effects and the need for reciprocity should always be assessed for all measures. As a next step, Chapter 11 of the ESRB Handbook sets out guidance on cross-border effects of macroprudential policy and reciprocity. In sum, it points to at least three elements to be taken into account when judging the relevance of spillovers, and hence the need for reciprocity.

- Spillovers can be inward or outward, and negative or positive. Generally, both inward and outward spillovers are positive for financial stability. Negative outward spillovers²⁸ are relatively rare, and reciprocity of measures appears particularly warranted in the case of negative inward spillovers.
- Such negative spillovers (i.e. circumvention by foreign branches or direct cross-border lending) can in principle be expected when a measure targets national exposures, and excludes from its scope:
 - bank lending from foreign branches,
 - non-bank lending from non-bank lenders,
 - cross-border lending.
- Therefore, assessing the design of the measure is crucial for assessing the potential for negative inward spillovers.
- Spillovers can subsequently be assessed by analysing them according to the pre-determined list of transmission criteria in Chapter 11 of the ESRB Handbook.
- Spillovers can also be assessed by analysing them according to the pre-determined list of indicators in Chapter 11 of the ESRB Handbook.

²⁸ Negative outward spillovers can occur, for example, in the case of increased cross-border lending from a “foreign” country in response to macroprudential tightening in a “home” country when the “foreign” country is in a more advanced stage of the financial cycle.



- Other ways of assessing spillovers include, for example, taking a model-based approach.

2.2 From the replies from countries

- Most attention in practice focuses on negative inward spillovers. All recommendations from the ESRB for the reciprocation of measures focus on negative inward spillovers.
- In assessing the relevance of spillovers, replies from countries point to the need to take the design of the financial system into account. At one extreme, a country with a full bank-based financial system (i.e. no lending by non-bank lenders), with no foreign branches, and no cross-border lending, would not experience negative inward spillovers. However, such a financial system would be at odds with the principles of the common market, especially the single banking licence and the free flow of capital.
- For exposure-based measures (e.g. the CCyB, the SyRB and stricter national measures under Article 458 of the CRR) and measures for which a reciprocation request has been made, the scrutiny should be stricter with regard to the assessment of spillovers.

3. Explaining inaction

In the case of inaction by national authorities, assessors need to establish whether or not this inaction is sufficiently explained.

Sufficiently explained: a complete and well-reasoned explanation for the lack of implementation has been provided, e.g. with reference to:

- (i) the materiality of exposures to the macroprudential risk, if the relevant authority decided not to reciprocate because the exposures of all banks in its jurisdiction were deemed immaterial;
- (ii) the fact that the measure had already been reciprocated before it was recommended for reciprocation by the ESRB;
- (iii) reasons why the reciprocating measure was not notified to ESRB.

Insufficiently explained: the explanation given for the lack of implementation is not sufficient to justify the inaction, or no explanation was provided.

Note: Reciprocation with an application of the de minimis principle should be assessed as a policy action. See Section 2.1 of Recommendation ESRB/2015/2, which states that authorities “may exempt an individual financial service provider [...] from applying a particular reciprocating macroprudential policy measures, if this financial service provider has non-material exposure to the identified macroprudential risk in the jurisdiction, where the relevant activating authority is applying the macroprudential policy measure in question (de minimis principle). The relevant authorities are requested to report to the ESRB on such exemptions, using the template for notifying reciprocating measures published on the ESRB’s website. [...] When applying a de minimis principle, authorities



need to monitor closely whether leakages and regulatory arbitrage materialise and close the regulatory loophole is needed”.

4. Weights

The weights used for assigning a grade and evaluating the compliance of Member States should reflect the importance of the recommendations and respective sub-recommendations. Different weights are therefore attributed to different sub-recommendations. In some cases, the weight could be zero, as some sub-recommendations may not be applicable to all the activated macroprudential policy measures. Overall, the grading methodology should take into consideration the number of macroprudential policy measures activated or reciprocated.

After taking into consideration the relative importance of each recommendation, the Assessment Team decided to attribute the following weights:

Table 7

Weights attributed to (sub-)recommendations

Recommendations	Weights	Sub-recommendations	Weights
A	0.4	A1	0.5
		A2	0.3
		A3	0.2
B	0.1	B1	0.5
		B2	0.25
		B3	0.25
C	0.4	C1	0.6
		C2	0.3
		C3	0.1
D	0.1	D	1

In cases where sub-recommendations are not applicable to all macroprudential policy measures reviewed, the respective weights should be attributed to the remaining applicable sub-



recommendations of the same recommendation. Similarly, if an entire recommendation is not applicable, its weight should be allocated to the remaining applicable recommendations. For example, in the case of Recommendation B, if sub-recommendations B1 and B2 are applicable and sub-recommendation B(3) is not applicable, the weight of 0.25 attributed to sub-recommendation B(3) will be redistributed among the other two sub-recommendations according to their relative weights, i.e. 67% ($0.5/(0.5+0.25)$) of the weight of sub-recommendation B(3) would be added to the weight of sub-recommendation B1 and 33% ($0.25/(0.5+0.25)$) would be added to the weight of sub-recommendation B(2). Thus, the overall weight of Recommendation B will continue to add up to 1 (or 0 if no sub-recommendation is applicable).

Table 8

Example of calculation of weights depending on applicability of sub-recommendations B

Example

Recommendation B	Weights when all sub-recommendations are applicable		Weights when one sub-recommendation is not applicable	
B1	Applicable	0.5	Applicable	$0.5 + (0.5/(0.5+0.25))*0.25 = 0.67$
B2	Applicable	0.25	Applicable	$0.25 + (0.25/(0.5+0.25))*0.25 = 0.33$
B3	Applicable	0.25	NA	0

Aggregation of measures: When the assessment is carried out for more than one measure and the compliance grades differ between one measure and another (e.g. fully compliant for one and partially compliant for another), the compliance grade that corresponds to the average of the individual numerical grades of the different measures should apply for each sub-recommendation. The overall compliance grade for each sub-recommendation would therefore be calculated as follows:

1. The compliance grade given for each measure to which the sub-recommendation applies would need to be converted into a numerical grade in accordance with the following table:



Table 9

Conversion table: implementation grades to numerical grades for sub-recommendations

Implementation grades	Numerical grades
FC	1
LC	0.75
PC	0.5
MN	0.25
NC	0
SE	1
IE	0

2. The average of the numerical grades for each measure would then need to be calculated.
3. The average of the numerical grades would then need to be converted back into an overall compliance grade for the sub-recommendation in accordance with the following table:



Table 10

Conversion table: overall compliance grades to numerical grades

Compliance grades	Numerical grades
FC	<0.9-1>
LC	<0.65-0.9)
PC	<0.4-0.65)
MN	<0.15-0.4)
NC	<0-0.15)
SE	<0.65-1>
IE	<0-0.65)

However, assessors ultimately have the discretion to override this rule and adjust the compliance grade based on the principles mentioned in the introduction (such as fairness and contribution to the ultimate objective related to systemic risk). This reflects the fact that, in line with the Handbook, the assessment is not intended to be fully mechanical. For example, if the mechanical score is largely driven by a measure that contributes little to the ultimate objective, this may be a reason for a discretionary adjustment.

Furthermore, if the compliance grades for different measures vary between grades for “action” (FC, LC, PC, MN and NC) and “inaction” (SE and IE), assessors should also use their discretionary powers, based on the principles mentioned in the introduction, to determine whether the overall grade for each sub-recommendation should be a grade for “action” or a grade for “inaction”. In such cases, the compliance grade given should be duly justified. Furthermore, the compliance report should clearly mention that, even though the overall grade indicates either “action” or “inaction”, this does not hold for every activated or reciprocated macroprudential policy measure, and the report should clearly specify the macroprudential policy measures for which the individual grade varied.

The overall compliance grade for **each recommendation** and the overall compliance **grade** are based on the weighted average of numerical grades that correspond to the compliance grades of the sub-recommendations in the table above. In cases where one or more sub-recommendations of a given recommendation or the entire recommendation is not applicable, weights are adjusted in the manner described above.

The assessors have discretion to override this weighting scheme and adjust the overall compliance grade to ensure that the assessment principles mentioned in the introduction are respected.



In addition, vertical assessors should ensure consistency in the way the discretionary judgement of the horizontal assessors is applied.

5. Implementation standards

Table 11

Implementation standards recommendation A

Recommendation A - Assessment of cross-border effects of relevant authorities' own macroprudential policy measures

Grade	Standards
A1	
FC	<p>An assessment of the cross-border effects of the implementation of the macroprudential policy measure was carried out and was based on:</p> <ul style="list-style-type: none"> a description of the transmission mechanisms of risks; the use of indicators (quantitative and qualitative) in accordance with Chapter 11 of the ESRB Handbook (but not only limited to the indicators set out in the ESRB Handbook); (note that different authorities may use different indicators leading to different degrees of “comprehensiveness” or “granularity” when comparing between the addressees) other methodology such as the model-based approach. <p>Supporting evidence of the assessment is provided, e.g. in the form of the analysis itself or the main conclusions of the assessment of cross-border effects in summary form (e.g. as reported through the different templates).</p> <p>With the exception of macroprudential policy measures for which a justification or an assessment of cross-border effects is required under Directive 2013/36/EU, an activating authority would only have been expected to carry out such a comprehensive assessment for macroprudential policy measures for which non-negligible cross-border effects could reasonably have been expected.</p>
LC	<p>The same as under FC, but negligible requirements remain to be implemented (for example, the assessment of cross-border effects was conducted but evidence of cross-border assessment was not provided. It can be reasonably assumed, based on the Assessment Team's expert judgment that no material cross-border effects should be expected following the activation of the measure).</p>
PC	<p>The same as under FC, but with deficiencies that affect the adequacy of implementation. This includes cases where the relevant activating authority says it has conducted an assessment of cross-border effects but is not in a position to provide any supportive evidence, such as the analysis itself or its main conclusions in summary form, and it can be reasonably assumed, based on the Assessment Team's expert judgement, that material cross-border effects could be expected following the activation of the measure.</p>
MN	<p>The detail of analysis is clearly insufficient relative to the magnitude of inward and outward spillovers that could be reasonably expected.</p>
NC	N/A



Grade	Standards
SE	The assessment was not carried out. Sufficient explanations were provided explaining why cross-border effects could not reasonably have been expected either because the activated measure is set at 0% or no material cross border effects could reasonably be expected (i.e. BBMs such as LTV, DSTI and LTI).
IE	The assessment was not carried out. No justification or insufficient justification was provided as to why the assessment was not carried out.
A2	
FC	<p>An assessment was carried out by the relevant activating authority and assessed both the (i) cross-border effects (leakages and regulatory arbitrage) of the implementation of macroprudential policy measures in its jurisdiction; and (ii) cross-border effects on other Member States and on the Single Market of any proposed macroprudential policy measures.</p> <p>Supporting evidence of the assessment is provided, e.g. in the form of the analysis itself or the main conclusions of the assessment of cross-border effects in summary form (e.g. as reported through the different templates).</p> <p>With the exception of macroprudential policy measures for which a justification or an assessment of cross-border effects is required under Directive 2013/36/EU, an activating authority would only be expected to carry out such an assessment for macroprudential policy measures for which non-negligible cross-border effects could reasonably have been expected.</p>
LC	The same as under FC, but negligible requirements have yet to be implemented for activated measures with material cross-border effects
PC	The same as under FC, but with deficiencies that affect the adequacy of implementation. This includes cases where the relevant activating authority says it has conducted the assessment of cross-border effects but is not in a position to provide any supportive evidence, such as the analysis itself or its main conclusions in summary form, and it can be reasonably assumed, based on the Assessment Team's expert judgement, that material cross-border effects could be expected following the activation of the measure.
MN	The detail of analysis is clearly insufficient relative to the magnitude of inward and outward spillovers that could reasonably have been expected.
NC	N/A
SE	The assessment was not carried out. Sufficient explanations were provided explaining why cross-border effects could not reasonably have been expected (for example, the assessment of cross-border effects was conducted but evidence of cross-border assessment was not provided) and it can be reasonably assumed, based on the Assessment Team's expert judgement, that no material cross-border effects should be expected following the activation of the measure.
IE	The assessment was not carried out. No justification or insufficient justification was provided as to why the assessment was not carried out.
A3	
FC	An assessment of the cross-border effects was conducted periodically.



Grade	Standards
	<p>Supporting evidence of the assessment is provided, e.g. in the form of the analysis itself or the main conclusions of the assessment of cross-border effects in summary form (e.g. as reported through the different templates).</p> <p>With the exception of macroprudential policy measures for which a justification or an assessment of cross-border effects is required under Directive 2013/36/EU, an activating authority would only have been expected to carry out such an assessment for macroprudential policy measures for which non-negligible cross-border effects could reasonably have been expected.</p>
LC	The same as under FC, but negligible requirements remain to be implemented (e.g. although the monitoring was carried out, it was not carried out once a year; or the assessment of cross-border effects was conducted but evidence of cross-border assessment was not provided) and it can be reasonably assumed, based on the Assessment Team's expert judgment, that no material cross-border effects should be expected following the activation of the measure.
PC	The same as under FC, but with deficiencies that affect the adequacy of implementation (e.g. there might have been no separate monitoring of the materialisation and evolution of the cross-border effects). This includes cases where the relevant activating authority says it has conducted the monitoring but is not in a position to provide any supporting evidence.
MN	N/A
NC	N/A
SE	The periodical assessment was not carried out. Sufficient explanations were provided explaining why cross-border effects could not reasonably have been expected (i.e. the measure was set at 0% or only applies within national borders, e.g. a borrower-based measure).
IE	The periodical assessment was not carried out. No justification or insufficient justification was provided as to why the periodical assessment was not carried out.

Table 12

Implementation standards Recommendation B

Recommendation B - Notification and reciprocity request with regard to relevant authorities' own macroprudential policy measures

Grade	Standards
B1	
FC	The relevant activating authority notified the ESRB using the ESRB template no later than two weeks after the adoption of macroprudential policy measures. All the relevant information was provided in English. The notification included an assessment of cross-border effects and of the necessity for reciprocity by other relevant authorities.



Grade	Standards
	<p>With the exception of macroprudential policy measures for which an assessment of cross-border effects is required under Directive 2013/36/EU, an activating authority would only have been expected to include such an assessment for macroprudential policy measures for which non-negligible cross-border effects could reasonably have been expected.</p>
<p>LC</p>	<p>The relevant activating authority notified the ESRB using the ESRB template after the two-week period, but not later than 45 calendar days after the adoption of the macroprudential policy measures. The relevant information was provided in English. The notification also included an assessment of cross-border effects and of the necessity for reciprocity by other relevant authorities.</p> <p>With the exception of macroprudential policy measures for which an assessment of cross-border effects is required under Directive 2013/36/EU, an activating authority would only have been expected to include such an assessment for macroprudential policy measures for which non-negligible cross-border effects could reasonably have been expected.</p>
<p>PC</p>	<p>The relevant activating authority notified the ESRB after the two-week period but not later than 60 calendar days after the adoption of the macroprudential policy measures, or in an unofficial manner, without using the ESRB template. However, the relevant information was provided in English and included an assessment of cross-border effects and of the necessity for reciprocity by other relevant authorities.</p> <p>With the exception of macroprudential policy measures for which an assessment of cross-border effects is required under Directive 2013/36/EU, an activating authority would only have been expected to include such an assessment for macroprudential policy measures for which non-negligible cross-border effects could reasonably have been expected.</p>
<p>MN</p>	<p>The relevant activating authority notified the ESRB with a substantial delay (more than 60 calendar days after the adoption of the macroprudential policy measures).</p> <p>OR</p> <p>The relevant activating authority notified the ESRB but did not include either the assessment of cross-border effects or the necessity for reciprocity by other relevant authorities, or both, where, with the exception of macroprudential policy measures for which an assessment of cross-border effects is required under Directive 2013/36/EU, an activating authority would only have been expected to include such an assessment for macroprudential policy measures for which non-negligible cross-border effects could reasonably have been expected.</p> <p>OR</p> <p>The relevant information was not provided in English.</p>
<p>NC</p>	<p>N/A</p>
<p>SE</p>	<p>The relevant activating authority did not notify the ESRB of the adoption of macroprudential policy measures using any means. However, sufficient explanations as to why the ESRB was not notified were provided.</p>
<p>IE</p>	<p>The relevant activating authority did not notify the ESRB of the adoption of macroprudential policy measures using any means. No justification or insufficient justification was provided as to why the ESRB was not notified.</p>
<p>B2</p>	
<p>FC</p>	<p>Reciprocity was necessary according to the relevant activating authority and the latter submitted a request for reciprocity (or a pre-announcement of a request for reciprocity) together with the notification required under sub-recommendation B(1).</p>



Grade	Standards
LC	<p>Reciprocation was necessary according to the relevant activating authority and the latter submitted a request for reciprocation (or a pre-announcement of a request for reciprocation). However, the request for reciprocation (or the pre-announcement thereof) was not submitted together with the notification required under sub-recommendation B(1).</p> <p>The delay was not substantial (less 45 calendar days), and it is reasonable to expect that it did not have material adverse consequences.</p> <p>Furthermore, there were no substantive procedural or other highly relevant reasons as to why it was advisable to ask for reciprocation at a later stage.</p>
PC	N/A
MN	N/A
NC	N/A
SE	<p>Even though reciprocation was deemed necessary by the relevant activating authority, a request for reciprocation was not submitted. Sufficient explanations were provided as to why the request for reciprocation was not submitted.</p>
IE	<p>Even though reciprocation was deemed necessary by the relevant activating authority, a request for reciprocation was not submitted. No justification or insufficient justification was provided as to why the request for reciprocation was not submitted.</p>
B3	
FC	<p>The activating authority submitted a request for reciprocation to the ESRB for macroprudential policy measures that were activated prior to the adoption of the Recommendation (15 December 2015), or for macroprudential policy measures for which, although reciprocation was not deemed necessary when the measures were first introduced, it was subsequently deemed necessary.</p>
LC	N/A
PC	N/A
MN	N/A
NC	N/A
SE	<p>Even though reciprocation was subsequently deemed necessary by the relevant activating authority, a request for reciprocation was not submitted. Sufficient explanations were provided as to why a request for reciprocation was not submitted.</p>
IE	<p>Even though reciprocation was subsequently deemed necessary by the relevant activating authority, a request for reciprocation was not submitted. No justification or insufficient justification was provided as to why a request for reciprocation was not submitted.</p>



Table 13

Implementation standards recommendation C**Recommendation C - Reciprocation of other relevant authorities' macroprudential policy measures**

Grade	Standards
C1	
FC	<p>The relevant authority reciprocated the macroprudential policy measures adopted by other relevant authorities and recommended for reciprocation, either before or after they were recommended for reciprocation.</p> <p>OR</p> <p>The relevant authority reciprocated the macroprudential policy measures but also set a threshold below which exposures are to be exempted in line with the ESRB recommendation. In addition, the relevant authority closely monitored the materialisation of leakages and regulatory arbitrage to close the regulatory loophole if needed.</p>
LC	<p>The relevant authority reciprocated the macroprudential policy measures but also set a higher threshold below which exposures are to be exempted in line with the ESRB recommendation. Sufficient supporting evidence was also provided to explain the setting of the threshold. In addition, the relevant authority closely monitored the materialisation of leakages and regulatory arbitrage to close the regulatory loophole if needed.</p>
PC	<p>The relevant authority reciprocated the macroprudential policy measures recommended for reciprocation but also set a higher threshold below which exposures are to be exempted. The relevant authority did not provide sufficient supporting evidence explaining the setting of the threshold.</p> <p>OR</p> <p>The relevant authority reciprocated the macroprudential policy measures recommended for reciprocation before such measures were recommended for reciprocation. However, the relevant authority did not disclose the measure and did not provide sufficient supporting evidence thereof.</p> <p>OR</p> <p>The relevant authority reciprocated the macroprudential policy measures but did not closely monitor the materialisation of leakages and regulatory arbitrage to close the regulatory loophole if needed.</p>
MN	N/A
NC	N/A
SE	<p>The relevant authority did not reciprocate the macroprudential policy measures recommended for reciprocation. Sufficient explanations were provided explaining the reason why the macroprudential policy measures recommended for reciprocation by the ESRB were not reciprocated. Non-reciprocation on the grounds that all institutions in the jurisdiction have immaterial exposures to the macroprudential risk qualifies as "sufficiently explained".</p>
IE	<p>The relevant authority did not reciprocate the macroprudential policy measures recommended for reciprocation by the ESRB. No justification or insufficient justification was provided as to why the macroprudential policy measures recommended for reciprocation were not reciprocated.</p>



Grade	Standards
C2	
FC	<p>The relevant authority reciprocated the macroprudential policy measures recommended for reciprocation using the same macroprudential instrument. If the same instrument was not available, the measure with the most equivalent effect was used, following consultation with the ESRB. In accordance with paragraph 4 of Section 2.3 of the Recommendation, a reciprocating macroprudential policy measure is deemed to be equivalent if it has, insofar as possible: (a) the same economic impact; (b) the same scope of application; and (c) the same consequences (sanctions) for non-compliance.</p>
LC	<p>The relevant authority reciprocated the macroprudential policy measures after they were recommended for reciprocation, albeit by adopting a different macroprudential policy measure without consulting the ESRB. The adopted measure is actually deemed to be either equivalent or the most obviously equivalent measure from the range of instruments available.</p>
PC	<p>The relevant authority adopted a different macroprudential policy measure than the one recommended for reciprocation without consulting the ESRB and after it was recommended for reciprocation. It is not obvious whether the measure taken is the most equivalent measure from the range of instruments available.</p> <p>OR</p> <p>The relevant authority adopted a different macroprudential policy measure than the one recommended for reciprocation without consulting the ESRB and after it was recommended for reciprocation. The supporting evidence provided is sufficient to assess the equivalence of the measure, however, only one or two of the three criteria for equivalence are met.</p>
MN	<p>The relevant authority adopted a different macroprudential policy measure than the one recommended for reciprocation without consulting the ESRB and after it was recommended for reciprocation. The supporting evidence provided is not sufficient to assess whether or not the measure could be considered equivalent.</p>
NC	<p>The relevant authority adopted a different macroprudential policy measure without consulting the ESRB. The measure is not deemed to be equivalent.</p>
SE	<p>In accordance with paragraph 2 of Section 2.2 of the Recommendation, the relevant authority reciprocated the measure with a measure which differs from the one implemented by the activating authority, provided that the reciprocating measure had already been implemented and disclosed before the activating measure was recommended for reciprocation.</p>
IE	N/A
C3	
FC	<p>The reciprocating macroprudential policy measure was adopted no later than three months after publication of the latest amendment of the Recommendation in the OJ or within the recommended deadline, if any. In addition, the reciprocating measure had the same activation date as the macroprudential policy measure being reciprocated or, if it did not have the same activation date, this mismatch cannot be attributed to the reciprocating addressee.</p>



Grade	Standards
LC	The reciprocating macroprudential policy measure was not adopted within the recommended deadline, if any, or otherwise within three months after publication of the latest amendment of the Recommendation in the OJ. However, the delay in its adoption was minor (45 calendar days or less). In addition, the reciprocating measure had the same activation date as the macroprudential policy measure being reciprocated or, if it did not have the same activation date, this mismatch cannot be attributed to the reciprocating addressee.
PC	<p>The reciprocating macroprudential policy measure was not adopted within the recommended deadline, if any, or otherwise within three months after publication of the latest amendment of the Recommendation in the OJ. The delay in its adoption was substantial (more than 45 calendar days but no more than 60 calendar days). In addition, the reciprocating measure had the same activation date as the macroprudential policy measure being reciprocated or, if it did not have the same activation date, such a mismatch cannot be attributed to the reciprocating addressee.</p> <p>OR</p> <p>The reciprocating macroprudential policy measure was adopted within the recommended deadline, if any, or otherwise within three months after publication of the latest amendment of the Recommendation in the OJ, but the reciprocating measure did not have the same activation date as the macroprudential policy measure being reciprocated, even though this would have been possible.</p>
MN	The reciprocating macroprudential policy measure was not adopted within the recommended deadline, if any, or otherwise within three months after publication of the latest amendment of the Recommendation in the OJ. The delay in its adoption was substantial (more than 60 calendar days). In addition, the reciprocating measure did not have the same activation date as the macroprudential policy measure being reciprocated, even though this would have been possible.
NC	N/A
SE	N/A
IE	N/A

Table 14
Implementation standards recommendation D
Recommendation D - Notification of the reciprocation of other relevant authorities’ macroprudential policy measures

Grade	Standards
FC	The relevant authority reciprocating the macroprudential policy measures notified the ESRB of the reciprocation within one month after the adoption of the reciprocating measure, using the ESRB template and providing the information in English.
LC	The relevant authority reciprocating the macroprudential policy measures notified the ESRB of the reciprocation but with a relatively minor delay (15 calendar days or less). The relevant authority used the ESRB template and provided the information in English.



Grade	Standards
PC	<p>The relevant authority reciprocating the macroprudential policy measures notified the ESRB but with a substantial delay (more than 15 calendar days but less than 30 calendar days). The relevant authority used the ESRB template and provided the information in English.</p> <p>OR</p> <p>The relevant authority reciprocating the macroprudential policy measures notified the ESRB on time or with a minor delay (15 calendar days or less). The relevant authority provided the information in English but did not use the ESRB template. However, the key information from the ESRB template was provided.</p>
MN	<p>The relevant authority reciprocating the macroprudential policy measure notified the ESRB but with a very significant delay (substantially more than 30 days but more than 90 calendar days).</p> <p>OR</p> <p>The relevant authority reciprocating the macroprudential policy measures notified the ESRB on time or with a minor delay (more than 15 calendar days but less than 30 calendar days). The relevant authority provided the information in English but did not use the ESRB template. However, some key information from the ESRB template was not provided.</p>
NC	<p>The relevant authority reciprocating the macroprudential policy measure notified the ESRB but did not provide the information in English.</p>
SE	<p>The relevant authority reciprocating the macroprudential policy measure did not notify the ESRB of the reciprocation. Sufficient explanations were provided as to why the ESRB was not notified.</p>
IE	<p>The relevant authority reciprocating the macroprudential policy measure did not notify the ESRB of the reciprocation. No justification or insufficient justification was provided as to why the ESRB was not notified.</p>



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