



**ESRB**

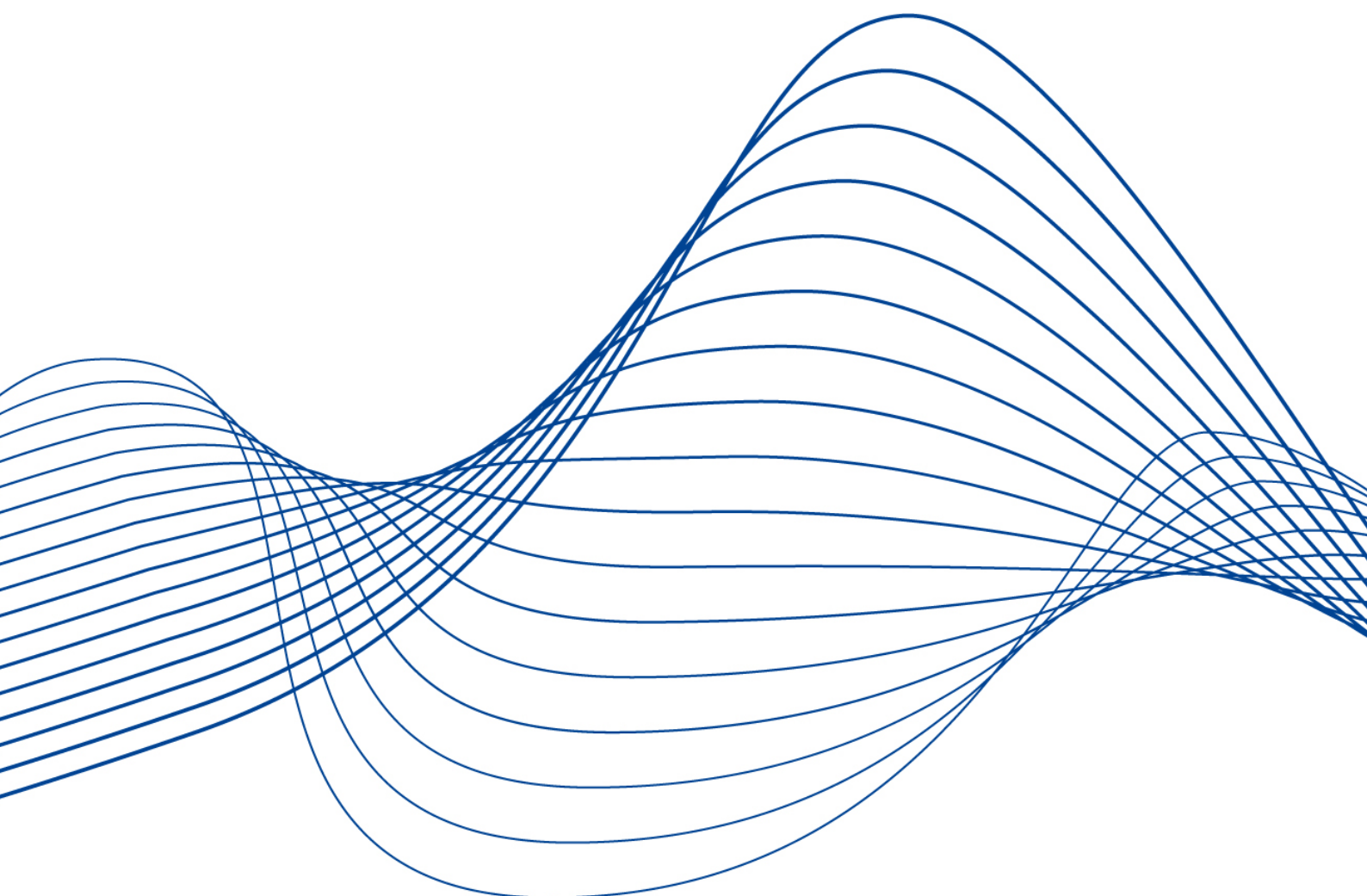
European Systemic Risk Board

European System of Financial Supervision

**June 2014**

**ESRB Recommendation on the macro-prudential mandate  
of national authorities (ESRB/2011/3)**

**Follow-up Report – Overall assessment**



---

## Table of contents

Introduction .....	4
1. Objective of the ESRB Recommendation .....	4
2. Methodology .....	6
3. Colour shade table – individual country results .....	9
4. Colour shade table – country ranking .....	11
5. Status of legislation – a wave of legislative initiatives.....	12
6. Substance – a very high degree of compliance with some discrepancies .....	14
6.1 Discrepancies concerning objectives (Recommendation A).....	14
6.2 Discrepancies concerning institutional design (Recommendation B).....	14
6.3 Discrepancies concerning tasks, powers and instruments (Recommendation C).....	15
6.4 Discrepancies concerning transparency (Recommendation D).....	16
6.5 Discrepancies concerning independence (Recommendation E) .....	17
7. Implementation of sub-recommendations – the degree of compliance shown by the 18 countries where primary legislation is in force.....	18
8. Implementation of sub-recommendations – provisional assessment of the degree of compliance shown by the 11 countries where legislation is not yet in force or in the form of secondary law .....	22
Conclusion .....	24
Annex I .....	25
Annex II .....	26
Annex III .....	27
Annex IV .....	33

---

## Abbreviations

### Abbreviations used in tables

FC	fully compliant
FSA	financial supervisory authority
LC	largely compliant
PC	partially compliant
MN	materially non-compliant
NC	non-compliant
SE	inaction sufficiently explained
IE	inaction insufficiently explained

### Countries

AT	Austria
BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
GR	Greece
ES	Spain
FR	France
HR	Croatia
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
NO	Norway
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom

---

## Introduction

This report provides an assessment of the implementation of the European Systemic Risk Board's Recommendation on the macro-prudential mandate of national authorities<sup>1</sup> (hereafter, the "ESRB Recommendation") by each Member State<sup>2</sup>. It is the second follow-up report on an ESRB recommendation to be approved for publication by the General Board.<sup>3</sup>

The deadline for Member States to provide information on the level of implementation was 30 June 2013, while the recommended measures were expected to be in force no later than the 1 July 2013. However, a number of countries were still in the process of implementing the ESRB Recommendation at that point in time (see Annex II). In order to account for their efforts and to capture as much as possible the latest developments in legislation, the General Board subsequently extended the deadline to 28 February 2014.<sup>4 5</sup> Indeed, additional information was collected on a voluntary basis in December 2013 and January 2014 to take stock of the intense implementation activity in some countries.

This report presents: (1) the objective of the ESRB Recommendation; (2) the methodology used by the assessment team; (3) a colour shade table showing individual country results; (4) another colour shade table ranking countries according to the degree of compliance with the key recommendations; (5) the status of legislation; (6) the main areas of discrepancy in terms of substance; (7) the results obtained for each sub-recommendation vis-à-vis countries where the legislation is already in force; and (8) the results obtained for each sub-recommendation vis-à-vis countries where the legislation is not yet in force or in force by means of secondary law.

### 1. Objective of the ESRB Recommendation

Recommendation ESRB/2011/3 on the macro-prudential mandate of national authorities is aimed at creating a framework at the national level that complements the institutional framework for macro-prudential supervision at the level of the European Union (EU). In its recitals<sup>6</sup>, the ESRB Recommendation notes that the "effectiveness of macro-prudential policy in the Union also depends on the national macro-prudential policy frameworks of the Member States, since the responsibility for the adoption of the measures necessary to maintain financial stability lies first within national frameworks".

For this purpose, the ESRB Recommendation advises countries to implement measures in five key areas, i.e. Recommendations A, B, C, D and E (listed in brackets below), which involve:

- (A) the objectives of national macro-prudential policies;
- (B) the institutional framework for macro-prudential supervision, in particular the design of the national macro-prudential authority;
- (C) the tasks, powers and instruments of the said authority;
- (D) the transparency of its actions and accountability;
- (E) the operational independence.

---

<sup>1</sup> ESRB/2011/3 of 22 December 2011 – as presented in OJ C 41/1.

<sup>2</sup> Norway participated in the assessment on a voluntary basis.

<sup>3</sup> The first follow-up report concerns Recommendation ESRB/2011/1 on lending in foreign currencies.

<sup>4</sup> Decision ESRB/2014/3 of the European Systemic Risk Board of 18 June 2014 on the extension of the deadline included in Recommendation ESRB/2011/3 of 22 December 2011 on the macro-prudential mandate of national authorities.

<sup>5</sup> Any amendments or change in the status of legislation occurring after this cut-off date have not been taken into account for the purpose of this report. Nevertheless, in order to indicate that the situation in a Member State might have changed following such amendments, the symbol ° has been added to the names of the relevant Member States.

<sup>6</sup> This word refers to text that explains the purpose of a legal document.

---

Each recommendation is itself comprised of between two and four sub-recommendations, with their being 16 sub-recommendations in total.

As per Article 17 of Regulation (EU) No 1092/2010<sup>7</sup>, verification of the ESRB Recommendation was carried out following the so-called “act or explain” mechanism, where the addressee (in this case, each Member State) of a recommendation can either (i) take action in response to a recommendation and inform the ESRB of such action, or (ii) take no action provided that it can properly justify the reasons for inaction. The ESRB subsequently analyses the information provided and verifies whether the actions taken duly achieve the objective of the recommendation or whether the justification provided for inaction is sufficient. This analysis results in a final grade being assigned to each Member State.

---

<sup>7</sup> 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 L331/1.

## 2. Methodology

The follow-up report has been prepared on the basis of Member States' own submissions to the ESRB Secretariat, i.e. responses to a set questionnaire covering each recommendation.

The assessment follows the methodology provided in the "Handbook on the follow-up to ESRB Recommendations"<sup>8</sup>. It has been carried out by an assessment team composed of nine assessors designated by the Advisory Technical Committee (ATC), and chaired by the Head of the ESRB Secretariat (further details are provided in Annex I). Please note that none of the team members was directly involved in grading their own country's performance.

For quality assurance purposes, a twofold approach was implemented: the assessment team was divided into two groups, with the first one conducting its analysis of implementation on a horizontal basis (i.e. by country), and the second one following a vertical approach (i.e. focusing on recommendation type). Afterwards, the results of both groups were cross-checked when preparing the final version of this document.

The assessment was conducted at three levels, with individual Member States being assigned grades at each level, namely for each of the 16 sub-recommendations, each of the five recommendations and for the overall level of implementation. The grading structure followed is provided in the table below, which uses colour coding for improved readability.

**Table 1 Grading structure**

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

The ESRB Recommendation requires that the recommended measures are implemented by national legislation. Where such legislation already exists, the assessment team has provided for an evaluation of its degree of compliance with the ESRB advice, i.e. while taking account of differences in institutional environment. For this purpose, it has defined a framework for assessing the degree of institutional compliance with each sub-recommendation (see Annex III).

Where the legislative process has not been finalised, the assessment team has chosen to follow a two-step approach.

As a first step, the assessment team has evaluated the implementation of the ESRB Recommendation indicated by the content of answers to questions on the most recent draft legislation. In particular, it has focused on the extent to which the draft rules comply with the ESRB Recommendation. The assessment team has also sorted the answers received from national administrations and graded each of them in accordance with the criteria mentioned in the table in Annex III.

As a second step, the assessment team has considered the status of legislation implementing the ESRB Recommendation by taking 28 February 2014 as the cut-off date. It has distinguished between different stages of legislation: namely, legislation is in force (either in the form of primary or secondary law); there is a bill before parliament; draft legislation has been prepared, which is still considered a "government proposal"; or there are no reports of any forthcoming legislation

<sup>8</sup> This is published on the ESRB's website (<https://www.esrb.europa.eu/pub/html/index.en.html>).

(i.e. the government would appear to have no intention of implementing the recommended measures). In order to reflect the few cases where non-binding legislation has been adopted, implementation by soft law has also been included.

**Table 2 Legislative status and related degree of compliance**

Degree of compliance	Legislative status					
	Legislation in force*	Ministerial decree**	Bill before parliament	Soft law	Government proposal	Nothing reported
FC	FC	LC	LC	PC	PC	NC
LC	LC	PC	PC	MN	MN	NC
PC	PC	MN	MN	NC	NC	NC
MN	MN	NC	NC	NC	NC	NC
NC	NC	NC	NC	NC	NC	NC

\*Legislation in force refers to primary law, including general tort law provisions.

\*\* Ministerial decrees and other types of secondary law do not qualify as “legislation” in the context of the ESRB Recommendation.

As the above table would indicate, full compliance is only achieved in cases where: (i) legislation is in force in the form of primary law; and (ii) the said legislation has a very high degree of compliance with the ESRB’s advice in terms of substance. A large degree of compliance is possible in three cases: first, when legislation is in force and it almost fully implements the recommended measures; second, when a regulation is in force, but in the form of secondary law; and, third, when a bill – one fully in line with the ESRB’s views – has not been finalised, but is under discussion at parliament.

In addition, there are five cases of partial compliance: first, when legislation in the form of primary law is in force and only partially implements the recommended measures; second, when a regulation in the form of secondary law almost fully implements the recommended measures; third, when there is a bill before parliament that is only largely – not fully – compliant with the ESRB’s advice; fourth, when the institutional framework essentially functions in line with the ESRB’s advice as a result of non-binding soft law instruments; and, fifth, when draft legislation has not yet left the relevant government departments, but would be fully compliant with the ESRB’s directions.

As for material non-compliance, this occurs in five cases: first, when legislation in the form of primary law is in force and it implements only a small part of the recommended measures; second, when a regulation in the form of secondary law partially implements the recommended measures; third, when there is a bill before parliament and it only partially complies with the ESRB’s advice; fourth, when non-binding soft law instruments largely incorporate the views of the ESRB; and, fifth, when a draft proposal has been adopted by the government and it is largely compliant with the ESRB’s recommended measures. All other cases would involve non-compliance.

Achieving full compliance may therefore be the result of three processes, as shown in Table 3: the horizontal arrow (from right to left) points to the completion of a legislative process in line with the ESRB’s advice; the vertical arrow (from bottom to top) indicates an amendment to existing legislation in force; and the diagonal arrow implies a correction in terms of both the degree of compliance and the status of legislation.

**Table 3 Achieving full compliance**

Degree of compliance	Legislative status					
	Legislation in force	Ministerial decree	Bill before parliament	Soft law	Government proposal	Nothing reported
FC	FC	LC	LC	PC	PC	NC
LC	LC	PC	PC	MN	MN	NC
PC	PC	MN	MN	NC	NC	NC
MN	MN	NC	NC	NC	NC	NC
NC	NC	NC	NC	NC	NC	NC

As regards the grades for the level of implementation, these have been calculated according to the following method. First, the grades for each recommendation (i.e. Recommendations A, B, C, D and E) have been computed as the arithmetic average of the grades assigned to each sub-recommendation on the basis of the following table.

**Table 4 Conversion table for individual grades**

Individual grades	
FC	1
LC	0.75
PC	0.5
MN	0.25
IE	0
NC	0

Second, the overall grade has been derived by calculating the arithmetic average of the grades assigned to each sub-recommendation and comparing this with the table below.

**Table 5 Conversion table for overall grades**

Overall grade	
FC	>0.875 – 1
LC	>0.625 – 0.875
PC	>0.375 – 0.625
MN	>0.125 – 0.375
NC	0 – 0.125

While the overall grades of Malta and Portugal would suggest that the level of implementation is fully compliant with the ESRB Recommendation, the marks of these two countries have been decreased by one notch in order to take account of partial or non-compliance with certain sub-recommendations; the objective being to promote further actions in these two countries that aim to improve the national institutional framework for macro-prudential oversight.

A comprehensive table of calculations is to be found in Annex IV.



### 3. Colour shade table – individual country results

The table below shows the ESRB Recommendation's overall implementation level. It is a simplified version of the detailed colour shade table with the grades for each of the 16 sub-recommendations provided with this report. Note that the grades assigned by the assessment team reflect both the degree of compliance and the status of legislation.

**Table 6 Individual country results**

Country	Recommendations					Overall
	A	B	C	D	E	
Austria	FC	LC	LC	FC	LC	LC
Belgium°	LC	PC	LC	LC	FC	LC
Bulgaria	LC	LC	LC	PC	PC	LC
Croatia	FC	FC	FC	FC	FC	FC
Cyprus	LC	PC	LC	LC	FC	LC
Czech Republic	LC	FC	FC	FC	FC	FC
Denmark	LC	LC	LC	LC	FC	LC
Estonia°	LC	PC	LC	LC	FC	LC
Finland	MN	MN	MN	LC	FC	PC
France	LC	LC	LC	FC	LC	LC
Germany	LC	FC	FC	FC	LC	FC
Greece	FC	FC	LC	PC	FC	LC
Hungary	FC	FC	FC	LC	FC	FC
Ireland	LC	LC	LC	PC	LC	LC
Italy	PC	PC	PC	PC	PC	PC
Latvia	LC	LC	LC	LC	FC	LC
Lithuania	LC	LC	LC	LC	FC	LC
Luxembourg	LC	PC	LC	LC	PC	LC
Malta	FC	FC	FC	PC	FC	LC
Netherlands	PC	PC	LC	LC	LC	LC
Norway	LC	PC	LC	MN	PC	PC
Poland	MN	PC	PC	MN	PC	PC
Portugal	FC	FC	FC	LC	FC	LC
Romania	LC	LC	LC	LC	LC	LC
Slovakia	LC	LC	LC	FC	FC	FC
Slovenia	FC	FC	FC	FC	FC	FC
Spain	PC	MN	PC	PC	FC	PC
Sweden	LC	LC	LC	FC	FC	LC
United Kingdom	FC	LC	FC	FC	FC	FC

The table indicates that seven Member States have fully implemented the ESRB Recommendation. A large degree of compliance is assessed for 17 other countries. Consequently, the overall grades of 24 of the 29 countries are positive, as marked by the areas shaded green.

The implementation efforts of five Member States are graded as “partially compliant”, mainly because the legislative process has not been completed. In Italy and Poland, for example, legislation is still at a government proposal stage, but the legal provisions envisaged have been commended for their general high degree of compliance with the ESRB Recommendation. The draft legislation in Finland and Spain features a number of discrepancies, but the overall grades for these two countries are supported by a partial implementation of certain recommendations.

---

Meanwhile, the implementation efforts of Norway are graded as partially compliant due to discrepancies in terms of substance.

#### 4. Colour shade table – country ranking

The table below ranks countries according to their efforts to implement the ESRB Recommendation.

**Table 7 Country ranking of implementation efforts**

Country	Recommendations					Overall
Croatia	A	B	C	D	E	FC
Slovenia	A	B	C	D	E	FC
Czech Republic	B	C	D	E	A	FC
Hungary	A	B	C	E	D	FC
United Kingdom	A	C	D	E	B	FC
Germany	B	C	D	A	E	FC
Slovakia	D	E	A	B	C	FC
Austria	A	D	B	C	E	LC
Portugal	A	B	C	E	D	LC
Sweden	D	E	A	B	C	LC
Malta	A	B	C	E	D	LC
Greece	A	B	E	C	D	LC
Denmark	E	A	B	C	D	LC
Latvia	E	A	B	C	D	LC
Lithuania	E	A	B	C	D	LC
Belgium°	E	A	C	D	B	LC
Cyprus	E	A	C	D	B	LC
Estonia°	E	A	C	D	B	LC
France	D	A	B	C	E	LC
Romania	A	B	C	D	E	LC
Ireland	A	B	C	E	D	LC
Bulgaria	A	B	C	D	E	LC
Netherlands	C	D	E	A	B	LC
Luxembourg	A	C	D	B	E	LC
Norway	A	C	B	E	D	PC
Italy	A	B	C	D	E	PC
Spain	E	A	C	D	B	PC
Finland	E	D	A	B	C	PC
Poland	B	C	E	A	D	PC

Table 7 shows the grade achieved for the implementation of each recommendation as well as the overall grade assigned to individual countries. It begins with the states that fulfil the majority of recommendations in full or at least to a very large extent (see areas shaded green) and ends with the states showing the least compliance with the ESRB Recommendation (see areas shaded in colours closer to red in the colour spectrum).

From a policy perspective, the table clearly shows in which countries and for which recommendations there is still room for improvement.

## 5. Status of legislation – a wave of legislative initiatives

The ESRB Recommendation has prompted legislative initiatives in all Member States:

- 19 countries have finalised the implementation process and already benefit from a clear legislative framework for macro-prudential policy (i.e. Austria, Bulgaria, Croatia, the Czech Republic, Denmark, France, Germany, Greece, Hungary, Ireland, Latvia, Malta, the Netherlands, Norway, Portugal, Slovenia, Slovakia, Sweden and the United Kingdom);
- in six Member States (Belgium°, Cyprus, Estonia°, Lithuania, Luxembourg and Romania) draft legislation is currently being discussed by the legislature – and in two of these, namely Lithuania and Romania, it is quite close to being adopted without any substantial changes;
- in four Member States (Finland, Italy, Poland and Spain) there is a government proposal, but it has not yet been submitted to parliament for discussion – the related draft legal texts have been considered and in some cases forwarded to the European Central Bank for its opinion, i.e. as per Article 127(4) of the Treaty on the Functioning of the European Union.

In total, ten countries did not finalise their legislative process as at 28 February 2014. Among the 19 countries that have already implemented the ESRB Recommendation, one has done so by means of a ministerial decree. In some of these countries, certain sub-recommendations have been transposed via the use of soft law. Table 8 below gives an overview of the status of legislation in individual countries as at 28 February 2014.

**Table 8 Status of legislation**

Country	Law in force	Ministerial decree	Bill before parliament	Soft law	Government proposal
Austria	A, B, C, D, E				
Belgium°	E		A, B, C, D		
Bulgaria	A, B, C, D, E				
Croatia	A, B, C, D, E				
Cyprus	D.3, E		A, B, C, D	B.2	
Czech Republic	A, B, C, D, E				
Denmark	A, B, C, D, E			D.4	
Estonia°	D.3, D.4, E		A, B.1, B.3, C, D.1, D.2	B.2, B.4	
Finland	D, E				A, B, C, D.1
France	A, B, C, D, E				
Germany	A, B, C, D, E				
Greece	A, B, C, D, E				
Hungary	A, B, C, D, E				
Ireland	A, B, C, D, E			B.2	
Italy	D.4				A, B, C, D.1, D.2, D.3, E
Latvia	A, B, C, D, E			B.2	
Lithuania	D.3, D.4, E		A, B, C, D.1, D.2		
Luxembourg			A, B, C, D, E		
Malta	A, B, C, D, E				
Netherlands	C.2, C.3, D.4, E.2	A, B, C.1, C.4, D, E.1			
Norway	A, B, C, D.3, D.4, E			D.1, D.2	
Poland					A, B, C, D, E
Portugal	A, B, C, D, E				
Romania			A, B, C, D, E		
Slovakia	A, B, C, D, E			B.2	
Slovenia	A, B, C, D, E				
Spain	E				A, B, C, D

---

Country	Law in force	Ministerial decree	Bill before parliament	Soft law	Government proposal
Sweden	A, B, C, D, E				
United Kingdom	A, B, C, D, E				

## 6. Substance – a very high degree of compliance with some discrepancies

Tables 6 and 7 indicate that widespread efforts have been made to implement the ESRB Recommendation. More significantly, not a single Member State has had to justify any reasons for inaction.

According to Table 6, the recommendation for which implementation has been most lacking is Recommendation B on the institutional design of the macro-prudential authority – only eight countries have fully implemented this recommendation. The level of implementation of 11 countries is found to be largely compliant with minor discrepancies, while eight countries only partially fulfil requirements and two are even “materially non-compliant”.

A similar degree of divergence can be observed for Recommendation D on transparency and accountability: here, there are nine fully compliant countries, 12 countries are largely compliant with minor discrepancies, 6 countries are partially compliant and two are materially non-compliant.

### 6.1 Discrepancies concerning objectives (Recommendation A)

As far as the macro-prudential objective is concerned, the discrepancies are negligible. Only two countries (Finland and Poland) have received a poor grade and this is mainly due to the status of their legislative measures. Overall, there is broad agreement on the definition of the macro-prudential objective on the part of national legislatures. Although the structural element of financial stability is fully encompassed, this is not always the case vis-à-vis the cyclical dimension.

### 6.2 Discrepancies concerning institutional design (Recommendation B)

Sub-recommendation B.1 requires the designation of a board or a single institution as the national macro-prudential authority. The assessment team has thus considered the implementation of this part of Recommendation B; naturally, taking account of differences in the institutional environment as well as policy preferences. For instance, some countries have, as expected, designated a single institution as the macro-prudential authority, while others have established a macro-prudential board comprised of the representatives of several institutions. The assessment team has adopted a neutral stance here, as Sub-recommendation B.1 provides for both options. Individual country preferences with regard to the institutional framework for the macro-prudential authority are presented in the table below.

**Table 9 Institutional framework of the national macro-prudential authority**

National macro-prudential authority	Board	Central bank	FSA	Government
	AT, BG, HR, DK, FR, DE, IT, LU, NL, PL, RO, SI and ES	BE°, CY, CZ, EE°, GR, HU, IE, LV, LT, MT, PT, SK and UK	FI and SE	NO

Sub-recommendation B.3 requests that central banks play a leading role, given their institutional and functional strengths. But the assessment team has observed deficiencies in implementation here. This is due to the fact that in some countries the central bank accounts for only a minority of representatives with voting powers within the macro-prudential authority, and has no other activity related to macro-prudential policy. The latter would include preparing meetings of the macro-prudential authority, being responsible for assigning its chair or hosting its secretariat.

Table 10 below gives a good impression of the extent of the central bank’s role in the macro-prudential policy of individual countries.

**Table 10 Institutional arrangements of the macro-prudential authority**

Institutional arrangements		Board	Single institution
Institutional anchor	Central bank	AT, DK, ES, HR, IT, LU, NL, PL, RO and SI	BE°, CZ, CY, EE°, GR, IE, HU, MT, LV, LT, PT, SK and UK
	FSA		FI and SE
	Gov.	BG, DE and FR	NO
	Other		
Chair	Central bank	DK, HR, ES, IT, NL, PL, RO and SI	BE°, CY, CZ, EE°, GR, IE, LV, LT, MT, PT, SK and UK
	FSA		FI and SE
	Gov.	AT, FR, DE, LU and BG	NO
	Other		
Majority of representatives*	Central bank	HR, IT, NL and RO	BE°, CY, CZ, EE°, GR, HU, IE, LV, LT, MT, PT and SK
	FSA		FI and SE
	Gov.	AT and DK	NO
	None	BG, DE, FR, LU, PL, SI and ES	UK

\* Indicates the relative importance of institutions represented in the macro-prudential authority.

The heterogeneity of implementation has been noticed in particular for Sub-recommendation B.4 on cross-border cooperation.

### 6.3 Discrepancies concerning tasks, powers and instruments (Recommendation C)

As regards the tasks and powers of the macro-prudential authority, discrepancies mostly appear with regard to Sub-recommendations C.3 and C.4.

Sub-recommendation C.3, which involves the power of the macro-prudential authority to identify systemically important financial institutions (SIFIs) and recommend on the perimeter of national regulation, has been implemented in different ways by Member States. While almost all of them have conferred on the macro-prudential authority the power of initiative regarding national legislation on the financial stability mandate, in some countries (Bulgaria, Denmark, Finland, France, Luxembourg and Sweden) its power to designate SIFIs is quite limited. This may reflect a disparity between the authority that is assigned the macro-prudential mandate (in line with the ESRB Recommendation) and the authority/authorities responsible for macro-prudential instruments specified in the Capital Requirements Directive IV<sup>9</sup> (CRD IV) and the Capital Requirements Regulation<sup>10</sup> (CRR) – see Table 11.

<sup>9</sup> 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 176/338.

<sup>10</sup> 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 176/1.

**Table 11 Responsibility of the macro-prudential authority vis-à-vis macro-prudential instruments specified in the CRD IV/CRR\***

<b>Cases where the macro-prudential authority is also responsible for the use of macro-prudential instruments specified in the CRD IV/CRR</b>		
<b>Belgium°</b>	Central bank	
<b>Cyprus</b>	Central bank	
<b>Czech Republic</b>	Central bank	
<b>Estonia°</b>	Central bank	
<b>Finland</b>	Financial Supervisory Authority	
<b>France</b>	High Council for Financial Stability	
<b>Greece</b>	Central bank	
<b>Hungary</b>	Central bank	
<b>Ireland</b>	Central bank	
<b>Lithuania</b>	Central bank	
<b>Luxembourg</b>	Systemic Risk Council	
<b>Malta</b>	Central bank	
<b>Norway</b>	Government	
<b>Poland</b>	Systemic Risk Board	
<b>Portugal</b>	Central bank	
<b>Slovakia</b>	Central bank	
<b>Slovenia</b>	Financial Stability Board	
<b>Sweden</b>	Financial Supervisory Authority	
<b>United Kingdom</b>	Central bank	
<b>Cases where the macro-prudential authority is not responsible for the use of macro-prudential instruments specified in the CRD IV/CRR</b>		
	Macro-prudential authority	Designated authority according to the CRD IV/CRR
<b>Austria</b>	Financial Market Stability Council/ Financial Supervisory Authority	Financial Supervisory Authority
<b>Bulgaria</b>	Financial Stability Advisory Council	Central bank
<b>Croatia</b>	Financial Stability Council	Central bank
<b>Denmark</b>	Systemic Risk Council	Government
<b>Germany</b>	Financial Stability Committee	Financial Supervisory Authority
<b>Italy</b>	Committee for Macro-Prudential Policies	Central bank
<b>Latvia</b>	Central bank	Financial Supervisory Authority
<b>Netherlands</b>	Financial Stability Committee	Central bank
<b>Romania</b>	National Committee for Macro- Prudential Oversight	Central bank
<b>Spain</b>	Financial Stability Council	Central bank

\* Source: Instruments Working Group Survey, December 2013.

Indeed, as regards Sub-recommendation C.4 on control over macro-prudential instruments, different levels of compliance can be observed. Although the national macro-prudential authority has adequate control over existing macro-prudential instruments in most countries, and mechanisms have been established to ensure that it can be assigned new instruments, Sub-recommendation C.4 is not fully implemented in some cases. For example, the national law of some states (Austria and Finland) does not provide for appropriate procedures to assign new instruments to the macro-prudential authority and, in others (Bulgaria, France, Netherlands and Spain), it is not foreseen that the macro-prudential authority will have a power to make recommendations that is reinforced by an “act-or-explain” mechanism.

#### **6.4 Discrepancies concerning transparency (Recommendation D)**

Discrepancies in the implementation of Recommendation D are particularly related to Sub-recommendation D.1 on the publication of macro-prudential decisions and strategies. In general macro-prudential policy decisions and strategies are published; however, in some countries (Greece, Ireland, Malta and Portugal) there are no specific legal provisions regarding publication. Such shortcomings may be due to the fact that the macro-prudential mandate has been assigned to an existing institution without increasing the scope of transparency requirements to cover this new function.



---

## **6.5 Discrepancies concerning independence (Recommendation E)**

In the case of Recommendation E, the discrepancies in implementation are minor and involve Sub-recommendation E.1 on operational independence. They are also mainly explained by the government's strong presence in the macro-prudential authority (as in Austria, Bulgaria, France, Luxembourg and Norway), e.g. due to the number of government representatives in the macro-prudential authority, the fact that it may provide the chair and thus hold a casting vote, or its role in hosting the secretariat. Consequently, the operational independence of the macro-prudential authority is weakened in countries where the government plays a leading role.

---

## **7. Implementation of sub-recommendations – the degree of compliance shown by the 18 countries where primary legislation is in force**

This section focuses only on the 18 countries where the ESRB Recommendation has been implemented by means of primary legislation (i.e. by the cut-off date of 28 February 2014: namely, Austria, Bulgaria, the Czech Republic, Germany, Denmark, Latvia, France, Greece, Croatia, Hungary, Ireland, Malta, Norway, Portugal, Sweden, Slovenia, Slovakia and the United Kingdom). Please note that the assessment team has identified different standards of implementation to ensure that countries are assessed on an equal basis (see Annex III).

### **Recommendation A on objectives**

- Sub-recommendation A.1 requires a broad definition of macro-prudential objectives encompassing both structural and cyclical elements.

Member States that have adopted the definition proposed by the ESRB have been assessed as fully compliant (Austria, Greece, Croatia, Hungary, Malta, Portugal, Slovenia and United Kingdom). Countries where there is an indirect – no explicit – reference to all elements of the ESRB definition have been graded as largely compliant (the Czech Republic, Germany, France, Ireland, Latvia, Norway and Slovakia). And countries which refer to only the structural or time-varying element or where there is no explicit definition in the law have been classified as partially compliant (Bulgaria, Denmark and Sweden).

- Sub-recommendation A.2 requires that macro-prudential policies are initiated by the macro-prudential authority or follow up ESRB recommendations.

All 18 countries where legislation is already in force have been graded as fully compliant.

### **Recommendation B on the institutional framework**

- Sub-recommendation B.1 requires the designation of a single macro-prudential authority – which can be either a board or a single institution – and a clear decision-making process.

In recognition of the diversity of national institutional frameworks, the ESRB Recommendation does not differentiate between the board and single institution options. As regards countries where legislation is in force, a board has been set up in Austria, Bulgaria, Croatia, Denmark, France, Germany and Slovenia: with the exception of France, a detailed decision-making process applies to the board in all cases. Meanwhile, the central bank has mainly been chosen in cases where the macro-prudential mandate has been entrusted to an existing institution (the Czech Republic, Greece, Hungary, Ireland, Latvia, Malta, Portugal, Slovakia and the United Kingdom). Norway and Sweden bypass this trend, with the government being assigned the mandate in the former and the national supervisory authority in the latter. For those countries with a single institution in charge of the mandate, the macro-prudential decision-making process corresponds to the general decision-making process of that institution.

- Sub-recommendation B.2 requires coordination mechanisms vis-à-vis other relevant national bodies having a material impact on financial stability.

The sub-recommendation applies only in cases where the macro-prudential authority is a single institution. Therefore, for those countries where the authority is a board, it has been noted that this requirement is not applicable. In Latvia, Ireland and Slovakia there is no binding legislation that provides for coordination mechanisms. In addition, countries using “soft law” arrangements, such as a memorandum of understanding, have been considered as only largely compliant.

- 
- Sub-recommendation B.3 requires that the central bank plays a leading role in macro-prudential policy.

This is certainly the case in countries where the central bank has been designated as the single institution responsible for macro-prudential supervision. By contrast, in Sweden and Norway, where the single institution is the national supervisory authority and the government respectively, the central bank displays a weaker role: therefore, these countries have been graded, respectively, as materially non-compliant and non-compliant. Where the macro-prudential authority is a board, the fulfilment of this requirement has been assessed together with a list of criteria on central bank involvement. These include, for example, the role of the central bank in terms of voting rules, the macro-prudential analysis function, agenda-setting, the secretariat function and the chairmanship of the board.

- Sub-recommendation B.4 on international cooperation requires that the macro-prudential authority cooperates with authorities in other countries, particularly the ESRB.

Countries where such cooperation is mandatory have been assessed as fully compliant (the Czech Republic, Germany, France, Croatia, Malta, Slovakia, Slovenia and Sweden). A large degree of compliance is shown by countries where such cooperation is allowed, but not mandatory (Greece, Hungary, Latvia and Portugal). And countries where cooperation is subject to a certain number of conditions are graded as partially compliant (Austria, Bulgaria, Denmark, Ireland and the United Kingdom). Furthermore, the lack of any clear provisions accounts for Norway's poor grade – this has been assessed as materially non-compliant.

### **Recommendation C on tasks, powers and instruments**

- Sub-recommendation C.1 requires that the macro-prudential authority is entrusted with a detailed minimum list of tasks.

This minimum list requirement has been fully observed by all 18 countries where legislation is in force, except for Norway, Ireland and Latvia: the first of these countries is graded as largely compliant, while the latter two countries only partially fulfil the requirement.

- Sub-recommendation C.2 requires that the macro-prudential authority has timely access to all relevant national data and information, including from micro-supervisory authorities, and can share such material.

Most of the 18 countries with legislation in force have been graded as fully compliant. Norway's partial compliance is explained by the fact that its national law does not explicitly permit the macro-prudential authority to share any information received.

- Sub-recommendation C.3 requires that the macro-prudential authority participates directly or indirectly in the identification of SIFIs.

Countries where the macro-prudential authority has specific powers to contribute to the identification of banking and non-banking SIFIs and to recommend the extension of the regulatory perimeter have been graded as fully compliant (Croatia, Hungary, Norway, and Slovenia). Implementation is considered to be largely compliant in cases where the same powers are conferred in a less explicit manner (the Czech Republic, Germany, Malta, Portugal and the United Kingdom). Meanwhile, those countries where some of these powers have been vested in the macro-prudential authority have been assessed as partially compliant (Austria, Bulgaria, Denmark, France, Ireland, Latvia and Slovakia). And the grade of materially non-compliant has been applied to countries where there are no explicit legal powers to contribute to the identification of banking and non-banking

---

SIFIs and to recommend on the regulatory perimeter, but some general provisions which may imply this (Greece and Sweden).

- Sub-recommendation C.4 requires that the macro-prudential authority has control over appropriate macro-prudential instruments.

Countries where the macro-prudential authority has control (i.e. the power to take decisions or make recommendations) over existing and new macro-prudential instruments have been graded as fully compliant (the Czech Republic, Germany, Denmark, Croatia, Hungary, Ireland, Malta, Norway, Portugal, Sweden and the United Kingdom). A large degree of compliance has been attributed to countries where similar recommendation powers apply to only national supervisors (Austria, France, Latvia, Slovenia and Slovakia). And implementation has been assessed as partially compliant in countries where the power to make recommendations is not reinforced by an “act or explain” mechanism (Bulgaria and Greece).

### **Recommendation D on transparency and accountability**

- Sub-recommendation D.1 requires that macro-prudential decisions and macro-prudential policy strategies be widely publicised.

Countries where the publication of both macro-prudential decisions and policy strategies is mandatory – except when such information may endanger financial stability – have been graded as fully compliant (the Czech Republic, Denmark, Croatia, Sweden and the United Kingdom). Implementation is largely compliant when the publication of decisions is required, but the publication of policy strategies remains optional (Bulgaria and Hungary) or when the national legislation provides for the power – but not the obligation – to publish decisions and policy strategies (Austria, France, Germany, Slovenia and Slovakia). The grade of partially compliant has been assigned to countries where publication of decision is optional, while publication of policy strategies is not foreseen by law (Latvia). If publication is ensured by soft law, as in Norway, implementation has been assessed as materially non-compliant. And countries where there are no legal provisions relating to this sub-recommendation have been graded as non-compliant (Greece, Ireland, Malta and Portugal).

- Sub-recommendation D.2 requires that the macro-prudential authority has the power to make public and private statements on systemic risks.

Countries entrusting the macro-prudential authority with both rights have been assessed as fully compliant (Austria, Croatia, the Czech Republic, Germany, Denmark, France, Portugal, Slovenia, Slovakia, Sweden and the United Kingdom). Implementation is largely compliant when the macro-prudential authority can only issue public statements (Hungary). Countries providing very general rights have been assessed as partially compliant (Bulgaria, Ireland, Latvia and Malta). The grade of materially non-compliant has been assigned in cases where such power is provided by soft law (Norway). And countries where the macro-prudential authority has no legal powers in this area have been deemed non-compliant (Greece).

- Sub-recommendation D.3 requires that the macro-prudential authority is ultimately accountable to the legislature.

Under the assessment, it was considered that this requirement could be met by a yearly report to the parliament. Consequently, most countries have been graded as fully compliant. Note that Denmark has been assessed as partially compliant because its legal framework does not guarantee sufficient accountability. Legislation in Bulgaria is also lacking in that it does not explicitly provide for accountability: hence, the country has been graded as non-compliant.

- 
- Sub-recommendation D.4 requires that the macro-prudential authority and its staff are legally protected when acting in good faith.

Under the assessment, it was agreed that such protection could be derived from administrative, civil and common law. As a consequence, most countries have been assessed as fully compliant. Note that Denmark is partially compliant because the recommended measure is not enacted in legislation. Only one country (Norway) is non-compliant, and this is because its legislation does not explicitly provide for legal protection.

### **Recommendation E on independence**

- Sub-recommendation E.1 requires that the macro-prudential authority is operationally independent, particularly vis-à-vis political bodies.

Countries where there are no obstacles to such operational independence have been graded as fully compliant (the Czech Republic, Denmark, Greece, Croatia, Hungary, Latvia, Malta, Portugal, Slovenia, Slovakia, Sweden and the United Kingdom). A large degree of compliance has been determined in cases where there is a board and the government plays an important role (Germany), or where there is a single institution and its independence is not fully ensured (Ireland). In addition, implementation has been considered as partially compliant where the government plays a leading role on a board (Austria, Bulgaria and France). And non-compliance has been found where the macro-prudential authority is the government, as in the case of Norway.

- Sub-recommendation E.2 requires that financial arrangements do not jeopardise the conduct of macro-prudential policy.

All countries where legislation is in force have been graded as fully compliant, except for Bulgaria.

---

## **8. Implementation of sub-recommendations – provisional assessment of the degree of compliance shown by the 11 countries where legislation is not yet in force or in the form of secondary law**

This section focuses only on the ten countries where legislation implementing the ESRB Recommendation was still under discussion at the parliament (Belgium°, Cyprus, Estonia°, Luxembourg, Lithuania and Romania) and government (Finland, Italy, Poland and Spain) levels on the cut-off date of 28 February 2014. It also includes the Netherlands, which has mainly implemented the ESRB Recommendation by means of secondary legislation.

If legislation were to be implemented as outlined in the draft legal texts forwarded to the ESRB, i.e. without any changes in terms of substance, the following assessment would have to be made.

- Sub-recommendation A.1 on macro-prudential objectives: all of the above-mentioned countries would be graded as fully compliant, excluding Finland and Poland. The implementation efforts of these two countries would be largely compliant, as their definition of the macro-prudential objective does not closely match the one provided in the sub-recommendation. For this same reason, the Netherlands has been graded as largely compliant in this context.
- Sub-recommendation A.2 on the macro-prudential policy: all countries would be assessed as fully compliant, including the Netherlands.
- Sub-recommendation B.1 on the macro-prudential authority: all countries would meet the requirements in full. A board would be the designated macro-prudential authority in Italy, Luxembourg, Poland, Romania and Spain, while a single institution would be responsible for the macro-prudential mandate in Belgium°, Cyprus, Estonia°, Finland and Lithuania. The Netherlands has already established a board.
- Sub-recommendation B.2 on coordination in the case of a single institution: only Lithuania and Finland would be graded as fully compliant; implementation by Cyprus would be largely compliant; and Belgium° and Estonia° would both be assessed as partially compliant. This sub-recommendation does not apply to all the other countries, as it is foreseen that the macro-prudential mandate will be assigned to a board.
- Sub-recommendation B.3 on the leading role of the central bank: nearly all countries would be graded as fully compliant. Spain would be assessed as largely compliant, since its central bank does not enjoy a majority on the macro-prudential board. Meanwhile, Luxembourg and Finland would have a lower grade because it is questionable whether the central bank will play a leading role in macro-prudential supervision.
- Sub-recommendation B.4 on international cooperation: most countries would achieve a fully compliant grade. The exceptions would be Cyprus (largely compliant) as well as Estonia°, Spain and the Netherlands (partially compliant in all cases), mainly due to the inadequacy or absence of provisions concerning the exchange of information with the ESRB.
- Sub-recommendation C.1 on macro-prudential tasks: all countries would be assessed as fully compliant.
- Sub-recommendation C.2 on collection of data and information: all countries would meet this requirement in full, with the exception of Finland. This particular country would be graded as largely compliant due to the absence of provisions concerning access to data from beyond the regulatory perimeter.

- 
- Sub-recommendation C.3 on the identification of SIFIs: all countries would be graded as fully compliant, excluding Finland (assessed as partially compliant due to the absence of the power to identify non-banking SIFIs) and Luxembourg (assessed as largely compliant due to the absence of provisions concerning the power to recommend on the perimeter of regulation).
  - Sub-recommendation C.4 on control over appropriate macro-prudential instruments: almost all countries would be fully compliant. However, Finland and Spain would be graded as largely compliant: the former, due to the absence of provisions concerning the extension of the regulatory perimeter, and the latter, due to the absence of an “act or explain” mechanism. Note that the Netherlands is also lacking such a mechanism.
  - Sub-recommendation D.1 on transparency of macro-prudential decisions and macro-prudential policy strategies: all countries would be graded as fully compliant, with the exception of Belgium°, Spain, Poland and Luxembourg – in the case of the first three countries, due to the absence of a reference to macro-prudential policy strategies and, in the latter case, due to the absence of an explicit obligation to publish macro-prudential decisions and policy strategies.
  - Sub-recommendation D.2 concerning public and private statements on systemic risks: nearly all countries would meet this requirement in full – only Estonia° would be graded as largely compliant due to the absence of a power to make private statements.
  - Sub-recommendation D.3 on accountability to the legislature: all countries would be fully compliant. Indeed, some already have legal provisions in force (Cyprus, Estonia°, Finland and Lithuania).
  - Sub-recommendation D.4 on legal protection: all countries would be fully compliant. In Estonia°, Finland, Italy, Lithuania, the Netherlands and Spain, this sub-recommendation is already covered by national legislation.
  - Sub-recommendation E.1 on operational independence: all countries would achieve a fully compliant grade, except for Luxembourg, given the potential influence of its government on the envisaged board. Note that Belgium°, Cyprus, Estonia°, Lithuania and Spain have already implemented measures in this area.
  - Sub-recommendation E.2 on financial and organisational arrangements: all countries would be graded as fully compliant. Belgium°, Cyprus, Estonia°, Lithuania, the Netherlands and Spain have already incorporated the sub-recommendation into national legislation.



---

## Conclusion

The most noteworthy outcome of the assessment is the information received on the wave of legislative initiatives that have taken place since the acceptance of the ESRB Recommendation. In all Member States, legislation has either been implemented or prepared (in one form or another). The same is true for Norway, which participated in this exercise on a voluntary basis.

If one considers only the 18 Member States where primary or secondary legislation (Netherlands) on the macro-prudential mandate is already in force, the overall level of implementation is high, with seven of these countries being graded as fully compliant and the remainder largely complying with the ESRB Recommendation.

In addition, as regards six Member States, it is not unlikely that the national parliament will complete the legislative process in the coming months. The ESRB would thus like to urge the remaining four Member States to accelerate the implementation process and forward existing draft legislation to the legislature.

For those countries which do not have legislation in force, the assessment of the ESRB Recommendation will be a continuing process. Some of them (i.e. Finland, Luxembourg, Poland and Spain) are planning rules which – if implemented in their present format – would result in a less satisfactory degree of compliance.

In general the ESRB Recommendation has been successful, establishing institutional competence at the national level and helping to ensure the effectiveness of the macro-prudential function – a factor that will undoubtedly have an impact on implementation efforts in the future. Although the overall result is positive, further improvements are still possible and certainly recommended.

Notwithstanding this, the following issues will need to be monitored further:

- the case of those Member States where the central bank does not play a “leading role”, as requested by the ESRB Recommendation;
- the lack of communication mechanisms ensuring transparency vis-à-vis the general public in those Member States where the relevant recommended measures have not been implemented;
- the multiplicity of institutional frameworks, in as much as they may imply differences in the macro-prudential policy stance;
- the case of those countries where the macro-prudential authority does not have the power to implement macro-prudential instruments specified in the CRD IV.

These and other discrepancies may be of relevance when a large number of institutions are involved in following up EU-wide recommendations. Equally important is the fact that they might impact the policies of national authorities on mutual recognition.

Lastly, this report recommends considering the completion of a new assessment by 2016. This would be of help in terms of assessing the final implementation efforts of the ten Member States where the legislative process is still ongoing. At the same time, the effectiveness and efficiency of the new macro-prudential policy frameworks in the other countries could be ascertained.



---

## Annex I

### Composition of the Assessment Team

**Chair:** Francesco Mazzaferro, Head of the ESRB Secretariat

#### Horizontal assessment

Emma Brattström, Sveriges Riksbank

- verified the compliance of FR, LV, LT, MT, NO and SK

Anna Dobrzanska, Narodowy Bank Polski:

- verified the compliance of BG, DK, EE, GR, SE and SI

David Liebeg, Oesterreichische Nationalbank

- verified the compliance of DE, FI, HR, HU, NL and RO

Jochen Sprung, Deutsche Bundesbank

- verified the compliance of AT, CY, ES, IE, IT and PT

Olivier Vigna, Autorité des marchés financiers

- verified the compliance of BE, CZ, PL, LU and UK

#### Vertical assessment

Jurgita Abisalaite, Lietuvos bankas

- verified compliance with Sub-recommendation C

Giuseppe Napoletano, Banca d'Italia

- verified compliance with Sub-recommendation B

Javier Torres, Banco de España

- verified compliance with Sub-recommendation A

Remco van der Molen, De Nederlandsche Bank

- verified compliance with Sub-recommendations D and E

#### Additional support

Chiara Fogo: Legal Counsel, ESRB Secretariat

Marcel-Eric Terret: Principal Legal Counsel, ESRB Secretariat

---

## Annex II

### Development of the legislative process

Countries	Legislation in force as at 1 July 2013	Legislation in force as at 28 February 2014
Austria		X
Belgium		
Bulgaria	X	X
Croatia		X
Cyprus		
Czech Republic		X
Denmark	X	X
Estonia <sup>o</sup>		
Finland		
France		X
Germany	X	X
Greece	X	X
Hungary		X
Ireland	X	X
Italy		
Latvia		X
Lithuania		
Luxembourg		
Malta	X	X
Netherlands	X	X
Norway		X
Poland		
Portugal		X
Romania		
Slovakia	X	X
Slovenia		X
Spain		
Sweden		X
United Kingdom	X	X

## Annex III

### Implementation standards\*

Recommendation A	
Sub-recommendation A.1	
Grade	Standards
FC	<ul style="list-style-type: none"> <li>• The macro-prudential objective is specified in the law using the same terms as the sub-recommendation.</li> <li>• The macro-prudential objective is specified in the law in terms of a contribution to financial stability, and includes both structural and time-varying elements.</li> </ul>
LC	<ul style="list-style-type: none"> <li>• The macro-prudential objective is specified in the law in terms of a contribution to financial stability, with there being an implicit reference to one of the two dimensions of systemic risk and an explicit reference to the other.</li> <li>• The macro-prudential objective is not specified, but the law lists the tasks of the macro-prudential authority and the whole legal framework is structured such that all components of the macro-prudential objective are made explicit.</li> </ul>
PC	<ul style="list-style-type: none"> <li>• The macro-prudential objective is not specified, but there is a reference in the law to the related structural or time-varying elements.</li> </ul>
MN	Not applicable
NC	<ul style="list-style-type: none"> <li>• The macro-prudential objective is not specified at all.</li> </ul>
Sub-recommendation A.2	
Grade	Standards
FC	<ul style="list-style-type: none"> <li>• Macro-prudential policy can be pursued at the national level:               <ul style="list-style-type: none"> <li>- at the initiative of the macro-prudential authority; and/or</li> <li>- by following up recommendations or warnings of the ESRB.</li> </ul> </li> </ul>
LC	Not applicable
PC	Not applicable
MN	Not applicable
NC	<ul style="list-style-type: none"> <li>• Macro-prudential policy cannot be pursued at the national level.</li> </ul>

Recommendation B	
Sub-recommendation B.1	
Grade	Standards
FC	<ul style="list-style-type: none"> <li>• The macro-prudential authority is designated and its decision-making process is specified by law.</li> </ul>
LC	<ul style="list-style-type: none"> <li>• The macro-prudential authority is designated by law, but its decision-making process is not specified.</li> <li>• The macro-prudential mandate is implicitly assigned to an authority, and its decision-making process is specified.</li> </ul>

PC	<ul style="list-style-type: none"> <li>The macro-prudential authority is designated by law, but its decision-making process is not specified.</li> </ul>
MN	<ul style="list-style-type: none"> <li>The macro-prudential authority is designated by soft law and its decision-making process is specified.</li> </ul>
NC	<ul style="list-style-type: none"> <li>The macro-prudential authority is not designated and its decision-making process is not specified by law.</li> </ul>
<b>Sub-recommendation B.2</b>	
<b>Grade</b>	<b>Standards</b>
FC	<ul style="list-style-type: none"> <li>Mechanisms for cooperation are established by law regarding all authorities whose actions have a material impact on financial stability.</li> </ul>
LC	Not applicable
PC	<ul style="list-style-type: none"> <li>Mechanisms for cooperation are established by soft law regarding all authorities whose actions have a material impact on financial stability.</li> </ul>
MN	Not applicable
NC	<ul style="list-style-type: none"> <li>Mechanisms for cooperation are not established by law.</li> </ul>
<b>Sub-recommendation B.3</b>	
<b>Grade</b>	<b>Standards</b>
FC	<ul style="list-style-type: none"> <li>The central bank's independence is not undermined and its leading role is ensured by the fact that: <ul style="list-style-type: none"> <li>the central bank is the macro-prudential authority;</li> <li>the central bank accounts for the majority of representatives with voting power on the board when decisions are taken on a majority basis; or</li> <li>no veto power is conferred on other board members, as is the case when decisions are taken by consensus;</li> <li>the central bank conducts macro-prudential analysis;</li> <li>the central bank prepares the main documents to be discussed by the board; and/or</li> <li>the central bank is responsible for providing the board's secretariat; and/or</li> <li>the central bank governor chairs the board and has a casting vote.</li> </ul> </li> </ul>
LC	<ul style="list-style-type: none"> <li>The central bank's independence is not undermined and its important role is ensured by the fact that: <ul style="list-style-type: none"> <li>the central bank does not account for the majority of representatives with voting power on the board;</li> <li>the other criteria are fulfilled.</li> </ul> </li> </ul>
PC	<ul style="list-style-type: none"> <li>The central bank's independence is not undermined and its moderate role is ensured by the fact that: <ul style="list-style-type: none"> <li>the central bank accounts for a small minority of representatives with voting power on the board; or</li> <li>decisions are taken by consensus and each member has a veto power;</li> <li>only some criteria are fulfilled.</li> </ul> </li> </ul>
MN	<ul style="list-style-type: none"> <li>The central bank's independence is not undermined and its marginal role is ensured by the fact that: <ul style="list-style-type: none"> <li>the central bank accounts for a small minority of representatives with voting power on the board;</li> </ul> </li> </ul>

	- almost none of the other criteria are fulfilled.
NC	<ul style="list-style-type: none"> <li>The central bank's independence is undermined because of the leading role played by the Ministry of Finance.</li> </ul>
Sub-recommendation B.4	
Grade	Standards
FC	<ul style="list-style-type: none"> <li>The macro-prudential authority is required by law (obligation) to cooperate and exchange information on a national and cross-border basis; it is also legally bound to inform the ESRB of actions taken to address systemic risk.</li> </ul>
LC	<ul style="list-style-type: none"> <li>The macro-prudential authority is empowered by law (right to choose) to cooperate and exchange information on a national and cross-border basis; it is also legally bound to inform the ESRB of actions taken to address systemic risk.</li> </ul>
PC	<ul style="list-style-type: none"> <li>The macro-prudential authority may stipulate agreements to cooperate and exchange information on a national and cross-border basis; there is no legal obligation to inform the ESRB of actions taken to address systemic risk.</li> </ul>
MN	<ul style="list-style-type: none"> <li>The provisions on cooperation and exchange of information with the macro-prudential authority are limited to a specific instrument.</li> </ul>
NC	<ul style="list-style-type: none"> <li>There are no provisions regarding cooperation or the exchange of information with the macro-prudential authority.</li> </ul>

Recommendation C	
Sub-recommendation C.1	
Grade	Standards
FC	<ul style="list-style-type: none"> <li>The macro-prudential authority is entrusted by law, as a minimum, with the tasks of identifying, monitoring and assessing risks to financial stability and of implementing policies.</li> </ul>
LC	<ul style="list-style-type: none"> <li>The macro-prudential authority is entrusted by law with some tasks related to systemic risk, but those foreseen by the sub-recommendation as a minimum are not all included.</li> </ul>
PC	<ul style="list-style-type: none"> <li>The macro-prudential authority is entrusted by law with some general tasks, but those foreseen by the sub-recommendation as a minimum are not included.</li> </ul>
MN	<ul style="list-style-type: none"> <li>The macro-prudential authority is entrusted by law with other tasks, but those foreseen by the sub-recommendation as a minimum are not included.</li> </ul>
NC	<ul style="list-style-type: none"> <li>The macro-prudential authority is not entrusted by law with the tasks foreseen by the sub-recommendation as a minimum.</li> </ul>
Sub-recommendation C.2	
Grade	Standards
FC	<ul style="list-style-type: none"> <li>The macro-prudential authority has the legal power to obtain all national data and information relevant for performing its tasks. This includes, inter alia, information from micro-supervisors, information from outside the regulatory perimeter and institution-specific information.</li> </ul>
LC	<ul style="list-style-type: none"> <li>The macro-prudential authority has the legal power to obtain all national data and information relevant for performing its tasks. However, there is no provision that allows for obtaining information from outside the regulatory perimeter or institution-specific information.</li> </ul>

PC	<ul style="list-style-type: none"> <li>The macro-prudential authority has the legal power to obtain some national data and information relevant for performing its tasks. This power is complemented by similar powers granted to other authorities.</li> </ul>
MN	<ul style="list-style-type: none"> <li>The macro-prudential authority has the legal power to obtain some national data and information relevant for performing its tasks.</li> </ul>
NC	<ul style="list-style-type: none"> <li>The macro-prudential authority has no legal power to obtain all national data and information relevant for performing its tasks.</li> </ul>
<b>Sub-recommendation C.3</b>	
<b>Grade</b>	<b>Standards</b>
FC	<ul style="list-style-type: none"> <li>The macro-prudential authority has the legal power to designate and/or develop surveillance approaches for banking and non-banking SIFIs, and to determine or recommend on the perimeter of national regulation.</li> </ul>
LC	<ul style="list-style-type: none"> <li>The macro-prudential authority has a general legal power including the designation of banking and non-banking SIFIs, and determination or recommendation on the perimeter of national regulation.</li> </ul>
PC	<ul style="list-style-type: none"> <li>The macro-prudential authority has the legal power to either designate banking and non-banking SIFIs, or to determine or recommend on the perimeter of national regulation.</li> </ul>
MN	<ul style="list-style-type: none"> <li>The macro-prudential authority has a general legal power including the designation of banking and non-banking SIFIs, but it has no power to determine or recommend on the perimeter of national regulation.</li> </ul>
NC	<ul style="list-style-type: none"> <li>The macro-prudential authority has no legal power to designate banking and non-banking SIFIs, or to determine or recommend on the perimeter of national regulation.</li> </ul>
<b>Sub-recommendation C.4</b>	
<b>Grade</b>	<b>Standards</b>
FC	<ul style="list-style-type: none"> <li>The macro-prudential authority has decision-making power, or a power to make public recommendations on existing macro-prudential instruments that is supported by an “act or explain” mechanism. Furthermore, it has the power to decide on new macro-prudential instruments or to make related recommendations to the legislature.</li> </ul>
LC	<ul style="list-style-type: none"> <li>The macro-prudential authority has decision-making power, or a power to make public recommendations on existing macro-prudential instruments that is supported by an “act or explain” mechanism. It has no legal power in respect of new macro-prudential instruments.</li> <li>The macro-prudential authority has the power to make public recommendations on macro-prudential instruments, but without support from an “act or explain” mechanism. In addition, it has the power to decide or recommend on new macro-prudential instruments.</li> </ul>
PC	<ul style="list-style-type: none"> <li>The macro-prudential authority has the power to make public recommendations on macro-prudential instruments, but without support from an “act or explain” mechanism.</li> </ul>
MN	<ul style="list-style-type: none"> <li>The macro-prudential authority has the power to make recommendations on macro-prudential instruments, but these cannot be made public and are not subject to an “act or explain” mechanism.</li> </ul>
NC	<ul style="list-style-type: none"> <li>The macro-prudential authority has no power to make recommendations on macro-prudential instruments.</li> </ul>

<b>Recommendation D</b>	
<b>Sub-recommendation D.1</b>	
<b>Grade</b>	<b>Standards</b>
FC	<ul style="list-style-type: none"> <li>Macro-prudential policy decisions and their motivations are required by law to be made public, unless there is a risk to financial stability. Macro-prudential policy strategies are also required to be published.</li> </ul>
LC	<ul style="list-style-type: none"> <li>Macro-prudential policy decisions and their motivations are required by law to be made public, unless there is a risk to financial stability. However, macro-prudential policy strategies are not required to be published.</li> <li>The macro-prudential authority has the power to make public macro-prudential policy decisions and their motivations as well as macro-prudential policy strategies.</li> </ul>
PC	<ul style="list-style-type: none"> <li>The macro-prudential authority has the power to make public macro-prudential policy decisions and their motivations, but not macro-prudential policy strategies.</li> </ul>
MN	Not applicable
NC	<ul style="list-style-type: none"> <li>Macro-prudential policy decisions and their motivations, as well as macro-prudential policy strategies, are made public – but this is not required by law and there are no formal obligations here.</li> </ul>
<b>Sub-recommendation D.2</b>	
<b>Grade</b>	<b>Standards</b>
FC	<ul style="list-style-type: none"> <li>The macro-prudential authority has the power to make public and private statements on systemic risk.</li> </ul>
LC	<ul style="list-style-type: none"> <li>The macro-prudential authority has the power to make public – but not private – statements on systemic risk.</li> </ul>
PC	<ul style="list-style-type: none"> <li>The macro-prudential authority has general powers including the power to make public and private statements on systemic risk.</li> </ul>
MN	<ul style="list-style-type: none"> <li>The macro-prudential authority has the power to make public and private statements on systemic risk as a result of soft law.</li> </ul>
NC	<ul style="list-style-type: none"> <li>The macro-prudential authority has no power to make public and private statements on systemic risk.</li> </ul>
<b>Sub-recommendation D.3</b>	
<b>Grade</b>	<b>Standards</b>
FC	<ul style="list-style-type: none"> <li>The macro-prudential authority is ultimately accountable to the legislature.</li> </ul>
LC	Not applicable
PC	<ul style="list-style-type: none"> <li>The macro-prudential authority's activity is assessed less frequently than once a year.</li> </ul>
MN	Not applicable
NC	<ul style="list-style-type: none"> <li>The macro-prudential authority is not ultimately accountable to the legislature.</li> </ul>
<b>Sub-recommendation D.4</b>	
<b>Grade</b>	<b>Standards</b>
FC	<ul style="list-style-type: none"> <li>The national law ensures legal protection for the macro-prudential authority and its staff when they act in good faith.</li> </ul>

LC	Not applicable
PC	Not applicable
MN	Not applicable
NC	<ul style="list-style-type: none"> <li>The national law does not ensure legal protection for the macro-prudential authority and its staff when they act in good faith.</li> </ul>

<b>Recommendation E</b>	
<b>Sub-recommendation E.1</b>	
<b>Grade</b>	<b>Standards</b>
FC	<ul style="list-style-type: none"> <li>The macro-prudential authority is operationally independent because: <ul style="list-style-type: none"> <li>the government is not represented – and if it is, it does not have any voting powers or does not hold a majority;</li> <li>no veto power is conferred on the government and decisions are taken by consensus or unanimity;</li> <li>the government is not the chair;</li> <li>the government does not have a casting vote;</li> <li>the government does not host the secretariat.</li> </ul> </li> </ul>
LC	<ul style="list-style-type: none"> <li>The macro-prudential authority is not completely operationally independent because the government plays a role on the board, even if this may be minimal (i.e. only one or two of the criteria mentioned above are not fulfilled).</li> </ul>
PC	<ul style="list-style-type: none"> <li>The macro-prudential authority is not completely operationally independent because the government plays an important role on the board (as two or three important criteria among those mentioned above are not fulfilled).</li> </ul>
MN	Not applicable
NC	<ul style="list-style-type: none"> <li>The macro-prudential authority is not operationally independent.</li> </ul>
<b>Sub-recommendation E.2</b>	
<b>Grade</b>	<b>Standards</b>
FC	<ul style="list-style-type: none"> <li>The activities of the macro-prudential authority are independent from an organisational and financial point of view.</li> </ul>
LC	<ul style="list-style-type: none"> <li>The activities of the macro-prudential authority are not completely independent from an organisational and financial point of view because the Ministry of Finance may hinder the meetings of the macro-prudential authority (e.g. when it is responsible for preparing them).</li> </ul>
PC	Not applicable
MN	Not applicable
NC	<ul style="list-style-type: none"> <li>The activities of the macro-prudential authority are not independent from an organisational and financial point of view.</li> </ul>

\* The above standards have been used to ensure consistent and equal treatment of countries. Please note that they merely provide guidance, as the full range of possibilities is not included.



## Annex IV

### Table of calculations

Country	A1	A2	sum	A
Austria	1	1	2	1 FC
Belgium	0.75	0.75	1.5	0.75 LC
Bulgaria	0.5	1	1.5	0.75 LC
Croatia	1	1	2	1 FC
Cyprus	0.75	0.75	1.5	0.75 LC
Czech Republic	0.75	1	1.75	0.875 LC
Denmark	0.5	1	1.5	0.75 LC
Estonia	0.75	0.75	1.5	0.75 LC
Finland	0.25	0.6	0.75	0.375 MN
France	0.75	1	1.75	0.875 LC
Germany	0.75	1	1.75	0.875 LC
Greece	1	1	2	1 FC
Hungary	1	1	2	1 FC
Ireland	0.75	1	1.75	0.875 LC
Italy	0.5	0.6	1	0.5 PC
Latvia	0.75	1	1.75	0.875 LC
Lithuania	0.75	0.75	1.5	0.75 LC
Luxembourg	0.75	0.75	1.5	0.75 LC
Malta	1	1	2	1 FC
Netherlands	0.5	0.75	1.25	0.625 PC
Norway	0.75	1	1.75	0.875 LC
Poland	0.25	0.5	0.75	0.375 MN
Portugal	1	1	2	1 FC
Romania	0.75	0.75	1.5	0.75 LC
Slovakia	0.75	1	1.75	0.875 LC
Slovenia	1	1	2	1 FC
Spain	0.5	0.6	1	0.5 PC
Sweden	0.5	1	1.5	0.75 LC
United Kingdom	1	1	2	1 FC

B1	B2	B3	B4	sum	B
1	0	0.5	0.5	2	0.66667 LC
0.75	0.25	0.75	0.75	2.5	0.625 PC
1	0	0.5	0.5	2	0.66667 LC
1	0	1	1	3	1 FC
0.75	0.5	0.75	0.5	2.5	0.625 PC
1	1	1	1	4	1 FC
1	0	0.75	0.6	2.25	0.75 LC
0.75	0.25	0.75	0.25	2	0.5 PC
0.5	0.5	0	0.6	1.5	0.375 MN
0.75	0	0.5	1	2.25	0.75 LC
1	0	0.75	1	2.75	0.91667 FC
1	1	1	0.75	3.75	0.9375 FC
1	1	1	0.75	3.75	0.9375 FC
0.75	0.75	1	0.5	3	0.75 LC
0.5	0	0.5	0.5	1.5	0.5 PC
1	0.5	1	0.75	3.25	0.8125 LC
0.75	0.75	0.75	0.75	3	0.75 LC
0.75	0	0	0.75	1.5	0.5 PC
1	1	1	1	4	1 FC
0.75	0	0.75	0.25	1.75	0.58333 PC
0.75	0.75	0	0.25	1.75	0.4375 PC
0.5	0	0.5	0.5	1.5	0.5 PC
1	1	1	0.75	3.75	0.9375 FC
0.75	0	0.75	0.75	2.25	0.75 LC
1	0.5	1	1	3.5	0.875 LC
1	0	0.75	1	2.75	0.91667 FC
0.5	0	0.25	0	0.75	0.25 MN
1	1	0.25	1	3.25	0.8125 LC
1	1	0.5	0.5	3	0.75 LC

C1	C2	C3	C4	sum	C
1	1	0.5	0.75	3.25	0.8125 LC
0.75	0.75	0.75	0.75	3	0.75 LC
1	1	0.5	0.5	3	0.75 LC
1	1	1	1	4	1 FC
0.75	0.75	0.75	0.75	3	0.75 LC
1	1	0.75	1	3.75	0.9375 FC
1	1	0.5	1	3.5	0.875 LC
0.75	0.75	0.75	0.75	3	0.75 LC
0.5	0.25	0	0.25	1	0.25 MN
1	1	0.5	0.75	3.25	0.8125 LC
1	1	0.75	1	3.75	0.9375 FC
1	1	0.25	0.5	2.75	0.6875 LC
1	1	1	1	4	1 FC
0.5	1	0.5	1	3	0.75 LC
0.5	0.5	0.5	0.5	2	0.5 PC
0.5	1	0.5	0.75	2.75	0.6875 LC
0.75	0.75	0.75	0.75	3	0.75 LC
0.75	0.75	0.5	0.75	2.75	0.6875 LC
1	1	0.75	1	3.75	0.9375 FC
0.75	0.75	0.75	0.5	2.75	0.6875 LC
0.75	0.5	1	1	3.25	0.8125 LC
0.5	0.5	0.5	0.5	2	0.5 PC
1	1	0.75	1	3.75	0.9375 FC
0.75	0.75	0.75	0.75	3	0.75 LC
1	1	0.5	0.75	3.25	0.8125 LC
1	1	1	0.75	3.75	0.9375 FC
0.5	0.5	0.5	0.25	1.75	0.4375 PC
1	1	0.25	1	3.25	0.8125 LC
1	1	0.75	1	3.75	0.9375 FC

D1	D2	D3	D4	sum	D
0.75	1	1	1	3.75	0.9375 FC
0.5	0.75	0.75	0.75	2.75	0.6875 LC
0.75	0.5	0	1	2.25	0.5625 PC
1	1	1	1	4	1 FC
0.75	0.75	1	0.75	3.25	0.8125 LC
1	1	1	1	4	1 FC
1	1	0.5	0.5	3	0.75 LC
0.75	0.5	1	1	3.25	0.8125 LC
0.5	1	1	1	3.5	0.875 LC
0.75	1	1	1	3.75	0.9375 FC
0.75	1	1	1	3.75	0.9375 FC
0	0	1	1	2	0.5 PC
0.75	0.75	1	1	3.5	0.875 LC
0	0.5	1	1	2.5	0.625 PC
0.5	0.5	0.5	1	2.5	0.625 PC
0.5	0.5	1	1	3	0.75 LC
0.75	0.75	1	1	3.5	0.875 LC
0.5	0.75	0.75	0.75	2.75	0.6875 LC
0	0.5	1	1	2.5	0.625 PC
0.75	0.75	0.75	1	3.25	0.8125 LC
0.25	0.25	1	0	1.5	0.375 MN
0	0.5	0.5	0.5	1.5	0.375 MN
0	1	1	1	3	0.75 LC
0.75	0.75	0.75	0.75	3	0.75 LC
0.75	1	1	1	3.75	0.9375 FC
0.75	1	1	1	3.75	0.9375 FC
0.25	0.5	0.5	1	2.25	0.5625 PC
1	1	1	1	4	1 FC
1	1	1	1	4	1 FC

E1	E2	sum	E
0.5	1	1.5	0.75 LC
1	1	2	1 FC
0.5	0.75	1.25	0.625 PC
1	1	2	1 FC
1	1	2	1 FC
1	1	2	1 FC
1	1	2	1 FC
0.5	1	1.5	0.75 LC
0.75	1	1.75	0.875 LC
1	1	2	1 FC
1	1	2	1 FC
1	1	2	1 FC
0.75	1	1.75	0.875 LC
0.5	0.5	1	0.5 PC
1	1	2	1 FC
1	1	2	1 FC
0.25	0.75	1	0.5 PC
1	1	2	1 FC
0.75	1	1.75	0.875 LC
1	1	2	1 FC
1	1	2	1 FC
1	1	2	1 FC
1	1	2	1 FC
1	1	2	1 FC
1	1	2	1 FC

sum	Overall
12.5	0.83333 LC
11.75	0.734375 LC
10	0.66667 LC
15	1 FC
12.25	0.765625 LC
15.5	0.96875 FC
12.25	0.81667 LC
12.25	0.81667 LC
8.75	0.546875 PC
12.5	0.83333 LC
13.75	0.91667 FC
12.5	0.78125 LC
15.25	0.953125 FC
12	0.75 LC
8	0.53333 PC
12.75	0.796875 LC
13	0.8125 LC
9.5	0.63333 LC
14.25	0.890625 FC
10.75	0.71667 LC
9.25	0.578125 PC
6.75	0.45 PC
14.5	0.90625 FC
11.25	0.75 LC
14.25	0.890625 FC
14.25	0.95 FC
7.75	0.51667 PC
14	0.875 LC
14.75	0.921875 FC