Compliance report

July 2024

Country-specific Recommendations of the European Systemic Risk Board of 2 December 2021 on medium-term vulnerabilities in the residential real estate sector in Germany (ESRB/2021/10) and Austria (ESRB/2021/11), respectively

ESRB
European Systemic Risk Board
European System of Financial Supervision

Contents

1 Introduction and summary of findings

On 2 December 2021, the General Board of the European Systemic Risk Board (ESRB) adopted recommendations on medium-term vulnerabilities in the residential real estate (RRE) sector in Germany (ESRB/2021/10)[1] and Austria (ESRB/2021/11)[2], respectively. This compliance report (hereafter "the report") provides the first assessment[3] of the implementation of the ESRB country-specific recommendations on medium-term vulnerabilities in the residential real estate (hereafter "RRE") sector in:

1. **Germany – with respect to Recommendations A, B and D;**

2. **Austria – with respect to Recommendations A and B**

(hereafter, the "recommendations") by their addressees.

The two recommendations concern medium-term vulnerabilities in the RRE sector. For ease of comparison and to ensure consistency in the assessment of compliance, one joint compliance report has been produced, rather than a separate report for each country-specific recommendation.

Recommendations issued by the ESRB are not legally binding but are subject to an "act or explain" mechanism in accordance with Article 17 of the ESRB Regulation[4]. This means that the addressees of these recommendations are under an obligation to communicate to the European Parliament, the Council, the Commission and the ESRB the actions they have taken to comply with the recommendations or to provide adequate justification for inaction.

The report assesses the addressees' compliance with the recommendations or explanation for inaction based on their submission to the ESRB Secretariat of a dedicated template. In accordance with Section 2(3) of the respective recommendations, addressees were asked to provide the ESRB with a report by 30 June 2023, explaining the measures taken to comply with the respective recommendations or provide adequate justification for inaction. To this end, reporting templates for the recommendations were circulated to the addressees, who completed the templates and returned them to the ESRB.

In order to perform the assessment, an Assessment Team was set up under the auspices of the Advisory Technical Committee (ATC)[5] in 2023. The Assessment Team was composed of

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1 **Recommendation of the European Systemic Risk Board of 2 December 2021 on medium-term vulnerabilities in the residential real estate sector in Germany** (ESRB/2021/10) (OJ C 122, 17.3.2022, p. 1).

2 **Recommendation of the European Systemic Risk Board of 2 December 2021 on medium-term vulnerabilities in the residential real estate sector in Austria** (ESRB/2021/11) (OJ C 366, 17.3.2022, p. 9).

3 The report covers the assessment of the first follow-up reports that were due by 30 June 2023. Subsequent follow-up reports will be submitted by 30 June 2025.

4 **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).

5 The Assessment Team was created in line with subsections 3.2 and 3.4 of the *Handbook on the assessment of compliance with ESRB recommendations, Revised Handbook*, ESRB Secretariat, Frankfurt am Main, April 2016.

four assessors, as well as the Chair, and supported by ESRB Secretariat staff (the composition of the Assessment Team is provided in Annex I).

The assessment was conducted by duly taking into account:

- the criteria contained in Section 2(2) of the respective recommendations;
- the methodology provided in the Handbook on the assessment of compliance with ESRB recommendations – April 2016 (hereafter, the "Handbook"), which describes the procedure for the assessment of compliance with ESRB recommendations;
- the implementation standards prepared by the Assessment Team, which specify the grading of each sub-recommendation based on the compliance criteria (the implementation standards are provided in Annex II); and
- the principle of proportionality.

This report reflects the implementation status as at June 2023.[6] The assessment of compliance focuses on actions taken or justifications provided by the addressees during the reporting period. The backward-looking approach employed to assess the measures taken to implement the recommendations means that the temporal scope of the assessment is limited. However, information received at a later stage during the exchanges of the findings of the Assessment Team with the addressees of the recommendations was also taken into consideration in the final results and is reflected in the description of the assessment of each addressee. The assessment took into account the phases of the economic and financial cycles of the addressees during the reporting period. Changes in these cycles have an impact on the measures recommended to the addressees to mitigate the vulnerabilities identified. As the assessment does not contain a forward-looking statement, the addressees are strongly encouraged to continue monitoring developments in these vulnerabilities and to take the necessary steps to address any vulnerabilities that are increasing, while assessing their position in the economic and financial cycles to determine whether the deployment of such measures would be appropriate.

Overall, Austria and Germany were each assessed as "fully compliant".

The overall findings of the compliance assessment are summarised in the colour-coded table below.

[6] However, information received at a later stage during the discussion of the findings of the Assessment Team with the addressees of the recommendation was also taken into consideration in the final assessment results and is reflected in the narrative of the assessment of each addressee.

Table 1

Overall findings

ADDRESSEE	OVERALL GRADE
GERMANY	FC
AUSTRIA	FC

Note: FC (dark green) stands for "fully compliant".

A summary of the grades assigned for the content of the respective recommendations/sub-recommendations is presented in the table below, where the actions are shaded green and the inactions orange.

The overall grades for each recommendation/sub-recommendation are illustrated in the table below. They reflect the grades when considering not only the content of each recommendation/sub-recommendation, but also the proportionality principle and the reporting by the addressees.

Table 2

Overall grades for each recommendation/sub-recommendation

Policy recommendations	DE	AT
1. Limit on the LTV ratio	A: SE	
2. Activation/tightening of capital-based measures	B: FC	B: SE
3.1. Monitoring of vulnerabilities	D(1): LC	
3.2. Activation of income-related borrower-based measures	D(2): SE	
4. Activation of legally binding borrower-based measures		A: FC

Notes: The table presents the overall grade for each recommendation or sub-recommendation. FC (dark green) stands for "fully compliant", LC (light green) stands for "largely compliant", SE (blue) stands for "sufficiently explained".

In order to better reflect the qualitative differences in implementation foreseen by the respective recommendations, and therefore the different metrics used for the respective assessment, the report is structured as follows.

Part II reiterates the policy objectives taken into account during the process of drafting the recommendations. Part III summarises the methodology set out in the Handbook, which establishes the procedure for assessing compliance with ESRB recommendations and presents the implementation standards drafted by the Assessment Team and used to assess compliance by the addressees with the respective recommendations. Part IV consists of country-specific assessments of compliance with the respective recommendations by addressees. Part V includes general remarks on all recommendations.

Annex I lists the members of the Assessment Team. Annex II provides the implementation standards for each country-specific recommendation and will be published as a separate document.

2 Policy objectives

Vulnerabilities relating to the residential real estate (RRE) sector may be a source of systemic risk and may affect financial stability, both directly and indirectly. Direct effects are credit losses on mortgage portfolios due to adverse economic or financial conditions and simultaneous negative developments in the RRE market. Indirect effects may be related to adjustments in household consumption or deleveraging by lenders, leading to further consequences for the real economy and financial stability.

The main objective of macroprudential policy, as outlined in recital 4 of Recommendation ESRB/2013/1 of the European Systemic Risk Board[7] **(ESRB), is to contribute to safeguarding the stability of the financial system as a whole.** This is achieved by strengthening the resilience of the financial system and decreasing the build-up of systemic risks, thereby ensuring a sustainable contribution by the financial sector to economic growth. To this end, macroprudential authorities may use one or more of the capital-based macroprudential measures set out in Directive 2013/36/EU of the European Parliament and of the Council[8] and Regulation (EU) No 575/2013 of the European Parliament and of the Council[9], and/or borrower-based macroprudential measures , which are exclusively based on national laws, depending on the assessment of risks. While the capital-based measures are primarily aimed at increasing the resilience of the financial system, the borrower-based measures may be particularly suitable for preventing the further build-up of systemic risks in relation to new housing loans.

Over recent years, the ESRB has regularly assessed RRE vulnerabilities in the European Economic Area (EEA) countries and the extent to which they are addressed by macroprudential policies. As a policy response, the ESRB has issued several warnings and recommendations to countries in which RRE vulnerabilities could be a source of risk to financial stability in the medium term.

In 2016, the ESRB conducted a European Union-wide assessment of the vulnerabilities relating to RRE.[10] This assessment enabled the ESRB to identify a number of medium-term vulnerabilities in several countries as sources of systemic risk to financial stability, which led to the issuance of warnings to eight countries: Belgium[11], Denmark[12], Luxembourg[13], the Netherlands[14], Austria[15], Finland[16], Sweden[17] and the United Kingdom[18].

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

8 **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. 338).

9 **Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012** (OJ L 176, 27.6.2013, p. 1).

10 **Vulnerabilities in the EU Residential Real Estate Sector, ESRB, November 2016**, available on the **ESRB's website**.

11 **Warning ESRB/2016/06 of the European Systemic Risk Board of 22 September 2016 on medium-term vulnerabilities in the residential real estate sector of Belgium** (OJ C 31, 31.1.2017, p. 45).

12 **Warning ESRB/2016/07 of the European Systemic Risk Board of 22 September 2016 on medium-term vulnerabilities in the residential real estate sector of Denmark** (OJ C 31, 31.1.2017, p. 47).

In 2019, the ESRB concluded a further systematic and forward-looking EEA-wide assessment of vulnerabilities relating to RRE, which showed that there are 11 countries in which medium-term vulnerabilities related to RRE are not sufficiently mitigated.[19] This led the ESRB to issue recommendations to six out of the eight countries that received warnings in 2016 (Belgium[20], Denmark[21], Finland[22], Luxembourg[23], the Netherlands[24] and Sweden[25]) and to issue five new warnings to countries where vulnerabilities relating to RRE as a source of systemic risk were newly identified as not being sufficiently addressed. The countries that had received warnings on 23 September 2019 were the Czech Republic[26], Germany[27], France[28], Iceland[29] and Norway[30].

In 2022, the ESRB concluded another assessment of this sector in the EEA.[31] This systematic and forward-looking EEA-wide assessment formed the basis for the 2021 issuance of warnings to five countries (Bulgaria[32], Croatia[33], Liechtenstein[34], Hungary[35] and Slovakia[36]) and

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13 **Warning ESRB/2016/09 of the European Systemic Risk Board of 22 September 2016 on medium-term vulnerabilities in the residential real estate sector of Luxembourg** (OJ C 31, 31.1.2017, p. 51).

14 **Warning ESRB/2016/10 of the European Systemic Risk Board of 22 September 2016 on medium-term vulnerabilities in the residential real estate sector of the Netherlands** (OJ C 31, 31.1.2017, p. 53).

15 **Warning ESRB/2016/05 of the European Systemic Risk Board of 22 September 2016 on medium-term vulnerabilities in the residential real estate sector of Austria** (OJ C 31, 31.1.2017, p. 43).

16 **Warning ESRB/2016/08 of the European Systemic Risk Board of 22 September 2016 on medium-term vulnerabilities in the residential real estate sector of Finland** (OJ C 31, 31.1.2017, p. 49).

17 **Warning ESRB/2016/11 of the European Systemic Risk Board of 22 September 2016 on medium-term vulnerabilities in the residential real estate sector of Sweden** (OJ C 31, 31.1.2017, p. 55).

18 **Warning ESRB/2016/12 of the European Systemic Risk Board of 22 September 2016 on medium-term vulnerabilities in the residential real estate sector of the United Kingdom** (OJ C 31, 31.1.2017, p. 57).

19 **Vulnerabilities in the residential real estate sectors of the EEA countries**, Frankfurt am Main, September 2019, available on the **ESRB's website**.

20 **Recommendation ESRB/2019/04 of the European Systemic Risk Board of 27 June 2019 on medium term vulnerabilities in the residential real estate sector in Belgium** (OJ C 366, 30.10.2019, p. 1).

21 **Recommendation ESRB/2019/05 of the European Systemic Risk Board of 27 June 2019 on medium term vulnerabilities in the residential real estate sector in Denmark** (OJ C 366, 30.10.2019, p. 7).

22 **Recommendation ESRB/2019/06 of the European Systemic Risk Board of 27 June 2019 on medium term vulnerabilities in the residential real estate sector in Luxembourg** (OJ C 366, 30.10.2019, p. 14).

23 **Recommendation ESRB/2019/07 of the European Systemic Risk Board of 27 June 2019 on medium term vulnerabilities in the residential real estate sector in the Netherlands** (OJ C 366, 30.10.2019, p. 22).

24 **Recommendation ESRB/2019/08 of the European Systemic Risk Board of 27 June 2019 on medium term vulnerabilities in the residential real estate sector in Finland** (OJ C 366, 30.10.2019, p. 29).

25 **Recommendation ESRB/2019/09 of the European Systemic Risk Board of 27 June 2019 on medium term vulnerabilities in the residential real estate sector in Sweden** (OJ C 366, 30.10.2019, p. 35).

26 **Warning ESRB/2019/10 of the European Systemic Risk Board of 27 June 2019 on medium-term vulnerabilities in the residential real estate sector of Czech Republic** (OJ C 366, 30.10.2019, p. 41).

27 **Warning ESRB/2019/11 of the European Systemic Risk Board of 27 June 2019 on medium-term vulnerabilities in the residential real estate sector of Germany** (OJ C 366, 30.10.2019, p. 45).

28 **Warning ESRB/2019/12 of the European Systemic Risk Board of 27 June 2019 on medium-term vulnerabilities in the residential real estate sector of France** (OJ C 366, 30.10.2019, p. 49).

29 **Warning ESRB/2019/13 of the European Systemic Risk Board of 27 June 2019 on medium-term vulnerabilities in the residential real estate sector of Iceland** (OJ C 366, 30.10.2019, p. 53).

30 **Warning ESRB/2019/14 of the European Systemic Risk Board of 27 June 2019 on medium-term vulnerabilities in the residential real estate sector of Norway** (OJ C 366, 30.10.2019, p. 57).

31 **Vulnerabilities in the residential real estate sectors of the EEA countries**, Frankfurt am Main, February 2022, available on the **ESRB's website**.

32 **Warning ESRB/2021/12 of the European Systemic Risk Board of 2 December 2021 on medium-term vulnerabilities in the residential real estate sector of Bulgaria** (OJ C 122, 17.3.2022, p. 15).

33 **Warning ESRB/2021/13 of the European Systemic Risk Board of 2 December 2021 on medium-term vulnerabilities in the residential real estate sector of Croatia** (OJ C 122, 17.3.2022, p. 18).

recommendations to two countries, Germany and Austria, which are the subject of this compliance report.

More recently, in February 2024, the ESRB concluded an update of the RRE sector assessment.[37] This update became one of the ESRB's priorities in 2023, in the light of the high-inflation environment and monetary tightening, which led to a turnaround in real estate cycles in most EEA countries and which were expected to weigh on the ability of households to service their debt. The results show that the level of accumulated risks ("stock risks") remains significant in most EEA countries. However, the growth of cyclical risks has decelerated or halted in most EEA countries. Compared with 2021, the risk assessment has remained unchanged for most EEA countries. Since 2021, several countries have activated macroprudential policies to mitigate risks related to RRE markets and to increase lenders' and borrowers' resilience. The assessment also concludes that the countries that have received ESRB recommendations or warnings in the past should continue to address RRE vulnerabilities by implementing macroprudential policies, as well as other measures, taking into account the position in the economic and financial cycles, in particular the position in the RRE market cycle.

Given that the identified vulnerabilities relating to RRE as a source of systemic risks are different across countries, these recommendations consist of different policy actions for each addressee. recommendations are addressed to Member States and acknowledge the fact that, within a Member State, different authorities may be responsible for the activation of the specific measures recommended. The assessment of compliance is, however, considered as a single package and the final grade is given at the level of the Member State and not at the level of the respective national authorities.

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34 **Warning ESRB/2021/14 of the European Systemic Risk Board of 2 December 2021 on medium-term vulnerabilities in the residential real estate sector of Liechtenstein** (OJ C 122, 17.3.2022, p. 22).

35 **Warning ESRB/2021/15 of the European Systemic Risk Board of 2 December 2021 on medium-term vulnerabilities in the residential real estate sector of Hungary** (OJ C 122, 17.3.2022, p. 25).

36 **Warning ESRB/2021/16 of the European Systemic Risk Board of 2 December 2021 on medium-term vulnerabilities in the residential real estate sector of Slovakia** (OJ C 122, 17.3.2022, p. 28).

37 **Follow-up report on vulnerabilities in the residential real estate sectors of the EEA countries**, ESRB, Frankfurt am Main, February2024, available on the ESRB's website.

3 Assessment methodology

The assessment of the implementation of the recommendations (and therefore each of the recommendations and sub-recommendations they contain) was carried out on the basis of the "act or explain" mechanism, in accordance with Article 17 of the ESRB Regulation. Under those arrangements, the addressees of the recommendation may either (i) take action(s) in response to each of the recommendations and inform the ESRB of such action, or (ii) take no action, if they can adequately justify that inaction. The Assessment Team then analyses the information provided and assesses whether the action taken duly achieves the objectives of each recommendation or whether the justification provided for inaction is sufficiently explained. This analysis results in a final compliance grade being assigned to each addressee.

The assessment was based on the submissions made by the addressees by the reporting deadline specified in Section 2.3 of the respective recommendation (i.e. 30 June 2023) and on further dialogue between the Assessment Team and addressees during the assessment process.

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 of four assessors, plus one Chair, endorsed by the Assessment Team Committee (see Annex I of this report). The Assessment Team conducted a four-eye review, meaning that the compliance of each addressee was assessed by at least two assessors. In the first stage of the assessment, the assessors evaluated the compliance of a respective addressee with all recommendations/sub-recommendations. In the second stage , the assessors evaluated the consistency of the assessments. The assessors were not directly involved in grading their respective authority's performance. Afterwards, the results of both assessors were cross-checked to prepare the final assessment.

To ensure equal treatment of the addressees and the highest degree of transparency and consistency, the Assessment Team conducted its work in accordance with the following six assessment principles mentioned in Section 4 of the ESRB Handbook:

- **Fairness, consistency and transparency** – equal treatment of all addressees throughout the assessment process;
- **Efficiency and appropriateness** of procedures relating to available resources, while ensuring high-quality deliverables;
- **Four-eyes review** – the compliance of each addressee is assessed by at least two assessors who have not been directly involved in assessing the performance of their respective national authorities;
- **Effective dialogue** – communication with the addressees is essential in order to fill in information gaps on compliance;

- **Principle of proportionality** – actions to be taken by the addressees are country-specific and relative to the intensity of risks targeted by the recommendation in the specific Member State;
- **The ultimate objective** of prevention and mitigation of systemic risks to financial stability in the European Union.

Furthermore, all addressees were given the opportunity to provide further explanation and information during the remedial dialogue. Thanks to the communication channels established between the Assessment Team and the addressees, both the Austrian and German authorities provided further details during the assessment process in the context of the remedial dialogue. As a result, the Assessment Team reviewed its preliminary assessment in the light of the additional information provided by the addressees. The results were subsequently cross-checked to prepare the final assessment.

3.1 Assessment criteria and implementation standards, grading methodology and principle of proportionality

3.1.1 Assessment criteria and implementation standards

The assessment criteria applied in this evaluation and the approach to the assessment are based on best practices established in previous assessments of compliance with ESRB recommendations. The assessment criteria describe the actions that are required to achieve the objectives of the recommendations. With this in mind, the Assessment Team took due account of the implementation criteria set out in Section 2(2)(1) of the respective recommendations. Grading was then guided by the relevant implementation standards, which specify how different actions or inaction for each recommendation/sub-recommendation should be reflected in the final grade.

While conducting the assessment, the Assessment Team analysed the content/substance of the actions taken by each addressee to assess whether they had complied with all elements of the recommendations.

To ensure a consistent and fair analysis, the Assessment Team created implementation standards for each recommendation/sub-recommendation against which the responses submitted by the addressees were assessed (see Annex II). The establishment of these implementation standards was based on the key elements of the respective recommendation and the principle of proportionality.

The Assessment Team agreed on the criteria to be applied in the assessment of each element of the recommendation and the weightings allocated to those criteria.

The specific criteria and implementation standards concerning the respective countries are provided in the relevant chapters of Part III.

3.1.2 Grading methodology

To assign a grade to each addressee for its compliance with the relevant recommendation, the Assessment Team followed a four-step grading methodology. This is necessary to ensure the full transparency of the single overall compliance grade and a high level of objectivity throughout 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.

Step I – For each recommendation/sub-recommendation three constituent elements were assessed: the content of the measure, its proportionality and the reporting of the measure to the ESRB (see Table 3). These elements were then graded on the basis of the assessment criteria, in accordance with the established implementation standards, in terms of the action (FC/LC/PC/MN or NC) or inaction (SE or IE) of each addressee (see Table 1).

The full grading scale is given in Table 4.

Table 3
Grading scale

Grading scale for action

Fully compliant (FC)	The addressee complies entirely with the recommendation.
Largely compliant (LC)	The objectives of the recommendation have been met almost entirely and only negligible requirements are still to be implemented.
Partially compliant (PC)	The most important requirements have been met; certain deficiencies affect the adequacy of the implementation, although this does not result in a situation where the given recommendation has not been acted upon.
Materially non-compliant (MN)	The requirements have only been fulfilled to a degree, resulting in a significant deficiency in implementation.
Non-compliant (NC)	Almost none of the requirements have been met, even if steps have been taken towards implementation.

Grading scale for inaction

Sufficiently explained (SE)	A complete and well-reasoned explanation for the lack of implementation has been provided.
Insufficiently explained (IE)	The explanation given for the lack of implementation is not sufficient to justify the inaction.

Step II – The compliance grades were subsequently converted into a numerical grade (see Table 5).

Table 4

Conversion table: compliance grades to numerical grades

Compliance grade	Numerical grade
Action	
FC	1
LC	0.75
PC	0.50
MN	0.25
NC	0
Inaction	
SE	1
IE	0

Step III – The numerical grades were then weighted for each element and, where applicable for each recommendation/sub-recommendation, aggregated into a single, overall numerical grade for compliance. When allocating the weightings, the Assessment Team took into consideration the importance of each constituent key element and, where applicable, each recommendation/sub-recommendation for the achievement of the policy objectives as outlined in Part I of this report. For the cases where a country-specific recommendation was divided into one or more recommendations or sub-recommendations, the Assessment Team considered that each recommendation or sub-recommendation was of equivalent importance. Therefore, equal weightings were assigned to each sub-recommendation of a given recommendation.[38] With regard to the constituent elements, the Assessment Team assigned a higher weighting for the content of each measure, while the principle of proportionality and the reporting were given lower, equal, weightings. The final weightings determined by the Assessment Team are set out in Table 6.

[38] See the dedicated chapters of the country-specific assessment for a detailed description of the computation of the overall compliance grade, which is specific to each country.

Table 5

Weightings assigned for a sub-recommendation

Sub-recommendation	Weighting
Assessment of the content of measures	3/4
Proportionality	1/8
Reporting	1/8

Step IV – The overall compliance grade was finally determined by converting the single-weighted numerical grade for each recommendation into a final compliance grade using a conversion table (see Table 7).[39]

Table 6

Conversion table: numerical grades to compliance grades

Compliance grade	Numerical grade for recommendation
FC	<0.90 – 1.00>
LC	<0.65 – 0.90)
PC	<0.40 – 0.65)
MN	<0.15 – 0.40)
NC	<0.00 – 0.15)
SE	<0.65 – 1.00>
IE	<0.00 – 0.65)

The level of compliance was then expressed in colour-coded form (see Table 8).

[39] The overall compliance grade SE was only assigned if each of the elements, and where relevant, each sub-recommendation, was graded SE or IE.

Table 7

Colour codes for levels of compliance

Positive grades	Mid-grade	Negative grades
FC – Actions taken fully implement the Recommendation		MN – Actions taken implement only a small part of the Recommendation
LC – Actions taken implement almost all of the Recommendation	PC – Actions taken implement only part of the Recommendation	NC – Actions taken are not in line with the nature of the Recommendation
SE – No actions were taken but the addressee provided sufficient justification		IE – No actions were taken and the addressee did not provide sufficient justification

3.1.3 Principle of proportionality

In accordance with Section 2, point 2(1)(a) of the recommendations, due regard should be paid to the principle of proportionality, taking into account the objective and the content of the recommendations. The high level of relevance of the principle of proportionality required the Assessment Team to take into account the magnitude and nature of the risk targeted when assessing the adequacy of the national frameworks adopted by the addressees to achieve the policy objectives set. Therefore, considering the objective and the content of the recommendations, the Assessment Team examined whether the addressees had monitored the medium-term vulnerabilities in the RRE sector and implemented the recommended measures to mitigate the related systemic risks and assess their implications in terms of financial stability. Thus, the substance of the principle of proportionality is related to the policy objectives of each sub-recommendation. By the same token, the Assessment Team also considered an addressee to be fully compliant in terms of proportionality if there was no evidence that it had acted in a disproportionate manner.

4 Country-specific analyses

4.1 Germany

4.1.1 Introduction

ESRB Recommendation ESRB/2021/10 on medium-term vulnerabilities in the RRE sector in Germany was addressed to the authorities entrusted with the amendment of the legal framework for borrower-based measures, the activation of borrower-based measures, the monitoring of systemic risks and/or the activation of capital-based measures in Germany.

Compliance with Recommendation A (Limit on the LTV ratio), Recommendation B (Activation of capital-based measures and Recommendation D (Monitoring of vulnerabilities and activation of income-related borrower-based measures) was assessed as of 30 June 2023.

Recommendation A refers to the activation of a legally or non-legally binding limit that applies to the loan-to-value (LTV) ratio by the German national authorities entrusted with the application of borrower-based measures, so as to ensure the mitigation of vulnerabilities in the RRE sector in Germany as a source of risk to financial stability, which may have the potential for serious negative consequences for the real economy.

Recommendation B refers to the activation of capital-based measures in order to ensure the resilience of credit institutions authorised in Germany in the face of the potential materialisation of systemic risk related to RRE that could lead to direct and indirect credit losses stemming from mortgage loans or arising as a consequence of the decrease in consumption by households with housing loans.

Sub-recommendation D(1) refers to the close monitoring of vulnerabilities related to household indebtedness, overvaluation of house prices and lending standards for new mortgage loans over the medium term.

Sub-recommendation D(2) refers to the activation of legally or non-legally binding income-related borrower-based measures, such as limits on the debt-to-income (DTI) ratio or on the debt-service-to-income (DSTI) ratio, if the results of the monitoring carried out pursuant to sub-recommendation D(1) indicate that it is necessary to prevent the excessive accumulation of credit risk.

The addressee provided a follow-up report on the assessment of the implementation of Recommendations A and B and sub-recommendations D(1) and D(2) of Recommendation ESRB/2021/10 by 30 June 2023.

The follow-up report was submitted by the German Financial Stability Committee on behalf of the relevant authorities.

4.1.2 Assessment methodology and implementation standards

In the case of Germany, the weightings applied for the various recommendations and sub-recommendations are presented in the table below. Overall, equal weightings have been assigned to Recommendations A, B and D. Furthermore, equal weightings have been assigned to sub-recommendations D(1) and D(2). At the level of each recommendation and sub-recommendation, the content was weighted at three-quarters, while the reporting and the proportionality count for the remaining one-quarter, with equal weightings of one-eighth each.

Table 8
Individual weighting

Category	Weighting
Recommendation A	1/3
Recommendation B	1/3
Recommendation D	1/3
Recommendation A	**Weighting**
Limit on the LTV ratio	3/4
Proportionality	1/8
Reporting	1/8
Recommendation B	**Weighting**
Activation of capital-based measures	3/4
Proportionality	1/8
Reporting	1/8
Recommendation D	**Weighting**
Sub-recommendation D(1)	1/2
Sub-recommendation D(2)	1/2
Sub-recommendation D(1)	**Weighting**
Monitoring of vulnerabilities	3/4

Proportionality	1/8
Reporting	1/8
Sub-recommendation D(2)	**Weighting**
Activation of income-related borrower-based measures	3/4
Proportionality	1/8
Reporting	1/8

The implementation standards for Germany are presented in Annex II.

4.1.3 Assessors' findings

Pursuant to the findings described in the following sections, the overall level of compliance with Recommendation ESRB/2021/10 is:

Table 9
Overall grade

Fully compliant	**Largely compliant**	**Partially compliant**	**Materially non-compliant**	**Non-compliant**	**Sufficiently explained**	**Insufficiently explained**

Box 1
Recommendation A – Limit on the LTV ratio

Final grade

Pursuant to the findings below, it is considered that the overall level of compliance with Recommendation A is **inaction sufficiently explained**.

The content of the measure was assessed as **inaction sufficiently explained** given that the available data seem to indicate that LTV ratios on new lending have not deteriorated further since 2019 and also given the efforts to urge lenders to adopt prudent lending standards. Proportionality was assessed as **largely compliant** since the addressee provided evidence that it acted in a proportionate manner. Reporting was assessed as **fully compliant**, as the addressee successfully submitted compliance information within the prescribed deadline.

Table 10

Overview of grade for Recommendation A

Criteria for action	Grade
Content of the measure	Inaction sufficiently explained
Proportionality	Largely compliant
Reporting	Fully compliant
Grade for Recommendation A	Inaction sufficiently explained

Comments on the implementation of Recommendation A

The development of credit standards, including LTV ratios, was closely and regularly monitored in Germany by its Federal Financial Supervisory Authority (BaFin) and Financial Stability Committee.

For the monitoring of the average LTV ratio, the addressees referred to data from a credit broker. These data showed that, for new lending, the average LTV ratio decreased from 83% in 2019 to 76% in the first half of 2022, and further to 73% in the second half of 2022. The share of loans with high LTV ratios (above 100%) also decreased. According to the addressees, this decrease in LTV ratios was primarily driven by the fact that lenders have required more capital, and borrowers have at the same time provided more capital for the purpose of reducing their interest burden due to the environment of higher interest rates. While the use of data provided by a single broker cannot guarantee that the sample is sufficiently representative of the market, the addressees emphasised that it is nevertheless a credible data source that signals a favourable development in lending standards. This trend towards lower LTV ratios was also confirmed by a survey conducted by BaFin in the first half of 2022. Additionally, data from the quarterly Bank Lending Survey showed that banks had tightened their credit standards in recent quarters. Moreover, new lending for RRE loans have decreased significantly since mid-2022, mainly due to rapidly rising mortgage interest rates and persistently high RRE prices. The Assessment Team reiterates the importance of good data for monitoring vulnerabilities and imposing a legally binding limit on LTV ratios and therefore calls for other potentially useful data sources to be included in the monitoring, in particular until the data under the new data collection effort (see below, sub-recommendation D(1)) is fully available for these purposes, and especially when such data are collected at the European level, for example under European banking supervision.

Given the tightening of lending standards in terms of LTV ratios and the challenging conditions in the German RRE market and the banking sector, the addressees did not consider it necessary or appropriate to impose a legally binding limit on LTV ratios. Therefore, in January 2022, during a period of strong growth in the RRE market, the German authorities opted to issue a public communication. In this public communication, BaFin and the German Financial Stability Committee emphasised the importance of conservative lending practices, particularly with regard to LTV ratios. BaFin reminded credit-granting institutions to exercise prudence in providing RRE loans, considering the exuberant market developments. They specifically urged these institutions to be cautious in their approach to the LTV ratio and to ensure that borrowers have a solid debt servicing capacity, even under stress scenarios such as rising interest rates. At the time, it was the view of the German authorities that the data and conditions did not warrant the imposition of a legally binding LTV limit.

The Assessment Team considers that the decision taken in 2022 to issue public communications, rather than imposing a legally binding (or non-legally binding) LTV limit, was sufficiently explained. While activating a legally binding (or non-legally binding) measure would be prudent and unlikely to raise significant unintended negative consequences, with LTV ratios already significantly below any limit that might be set, the Assessment Team agrees that the data seem to indicate that LTV ratios have not deteriorated further and lending standards are tightened for the time being. Nevertheless, official communications are unlikely to have the same impact as LTV limits (even if the latter are non-legally binding). Accordingly, it is paramount that the German authorities remain vigilant and regularly re-assess their policy stance if necessary.

Box 2
Recommendation B – Activation of capital-based measures

Final grade

Pursuant to the findings below, it is considered that the overall level of compliance with Recommendation B is **fully compliant**.

The content of the measure was assessed as **fully compliant** and proportionality was also assessed as **fully compliant**, given that the addressee provided clear evidence that it acted in a proportionate manner. Reporting was assessed as **fully compliant**, as the addressee successfully submitted compliance information within the prescribed deadline.

Table 11
Overview of grade for Recommendation B

Criteria for action	Grade
Content of the measure	Fully compliant
Proportionality	Fully compliant
Reporting	Fully compliant

Grade for Recommendation B	Fully compliant

Comments on the implementation of Recommendation B

BaFin introduced a countercyclical capital buffer (CCyB) of 0.75%, effective from 1 February 2023, to mitigate overall cyclical risks, including those arising from the RRE market. Furthermore, it implemented a sectoral systemic risk buffer (sSyRB) of 2%, designed to address non-cyclical stock risks specific to the RRE market. It also considered risks associated with both owner-occupied and income-producing RRE. The buffer was calibrated to cover potential losses under a stress scenario, such as a 30% downturn in RRE prices and a significant increase in the unemployment rate. The calibration ensured that banks had the necessary capital to absorb losses beyond what was covered by the CCyB requirements. The buffer was set to enhance the resilience of banks providing RRE financing.

The sSyRB was calibrated in conjunction with the CCyB to avoid any overlapping of risks. The total capital buffers, including the CCyB and the sSyRB, contributed to preserving approximately €23.9 billion of excess capital in the German banking system as a buffer against adverse developments.

These capital-based measures were designed to increase the resilience of the German banking sector and the ability of the banking system to continue to provide credit to the real economy in case of the materialisation of a risk. The effectiveness and appropriateness of the macroprudential package, including the sSyRB, were regularly assessed by BaFin and discussed by the German Financial Stability Committee. According to BaFin, these assessments showed that the buffer requirements were appropriate and the German banking system well capitalised, and that the additional requirements imposed through the sSyRB did not adversely affect the supply of RRE credit.

The Assessment Team carefully assessed the information provided by BaFin and considers the macroprudential package to be an adequate mix of policies to address both general cyclical risks and specific risks in the RRE market. It therefore graded the addressee of Recommendation B as fully compliant.

Box 3
Recommendation D – Monitoring of vulnerabilities and activation of income-related borrower-based measures

Summary of implementation of Recommendation D

Final grade

Pursuant to the findings below, it is considered that the overall level of compliance with Recommendation D is **fully compliant**.

Box 4

Sub-recommendation D(1) – Monitoring of vulnerabilities

Summary of implementation of sub-recommendation D(1)

Final grade

Pursuant to the findings below, it is considered that the overall level of compliance with sub-recommendation D(1) is **largely compliant**.

The content of the measure was assessed as **largely compliant**, as the addressee, despite some data quality issues, largely monitored household indebtedness, overvaluation of house prices and lending standards for new mortgage loans over the medium term. Proportionality was assessed as **largely compliant**, as the addressee provided some evidence that it had acted proportionally. Lastly, reporting was assessed as **fully compliant**, as the addressee delivered the follow-up report on time.

Table 12

Overview of grade for sub-recommendation D(1)

Criteria for action	Grade
Content of the measure	Largely compliant
Proportionality	Largely compliant
Reporting	Fully compliant
Grade for sub-recommendation D(1)	Largely compliant

Comments on the implementation of sub-recommendation D(1)

The German authorities have taken several actions in response to the recommendation to closely monitor vulnerabilities related to household indebtedness, overvaluation of house prices and lending standards for new mortgage loans over the medium term.

The German national central bank (Deutsche Bundesbank) plays a prominent role in the monitoring activities, using a core set of indicators regularly published on its website to analyse real estate valuations, downside risks and other potential threats to financial stability. BaFin complements the Deutsche Bundesbank’s analysis with its own insights into potential threats to financial stability. The assessment of macroprudential risks related to the German RRE market is also discussed by the German Financial Stability Committee as part of its mandate.

In September 2021, the Deutsche Bundesbank launched a regular data collection effort, the Wohnimmobilienfinanzierungsstatistik (WIFSta), focusing on new housing loans to natural persons. This data collection effort aims to provide quantitative information on lending standards for new housing loans. Lenders are required to regularly report these data, with the first data delivered in May 2023. Efforts are ongoing to address quality issues with the reported data.

To bridge the time gap until WIFSta data become available, BaFin conducted a short survey covering the period from 2019 to mid-2022, with a particular focus on the DSTI ratio. In addition, BaFin conducted a deep dive into high-risk loans with LTV ratios above 90% and DTI ratios greater than 7. These surveys, along with a targeted review by the European Central Bank (ECB), indicated the existence of risk pockets, but data quality issues prevented a reasonable quantification of these risks.

In summary, Germany has taken a comprehensive approach to monitoring and assessing potential vulnerabilities in the RRE market and lending standards. However, data quality needs to be improved to attain better macroprudential monitoring and analysis.

Box 5

Sub-recommendation D(2) – Activation of income-related borrower-based measures

Summary of implementation of sub-recommendation D(2)

Final grade

Pursuant to the findings below, it is considered that the overall level of compliance with sub-recommendation D(2) is **inaction sufficiently explained**.

The content of the measure was assessed as **inaction sufficiently explained**, since the available data did not provide sufficient clear evidence to impose non-legally binding measures. Proportionality was assessed as **fully compliant**, as the addressee provided clear evidence that it had acted proportionally. Reporting was assessed as **fully compliant**, as the addressee delivered its follow-up report on time.

Table 13

Overview of grade for sub-recommendation D(2)

Criteria for action	Grade
Content of the measure	Sufficiently explained
Proportionality	Fully compliant
Reporting	Fully compliant
Grade for sub-recommendation D(2)	Sufficiently explained

Comments on the implementation of sub-recommendation D(2)

The German authorities conducted a survey in mid-2022, mainly focusing on the DSTI ratio. The survey found that, on average, DSTI ratios increased in 2022, while average LTV and DTI ratios decreased. However, data definitions were not consistent, making it difficult to interpret the levels of the lending standards accurately.

Therefore, the authorities argue that the data collected in this survey did not provide sufficient evidence to impose non-legally binding measures. While they recognised the nature and importance of the recommendation, they chose not to implement such measures without clear and conclusive evidence.

Instead, Germany focused on raising awareness and stressing the importance of sound lending standards. To address the issue while considering the principle of proportionality, the German Financial Stability Committee and BaFin communicated the relevance of maintaining sound lending standards. They urged market participants to exercise caution, especially concerning income-based indicators, when addressing the objectives set out in the recommendation.

In January 2022, BaFin issued a communication emphasising the importance of ensuring a solid level of debt sustainability for borrowers over the long term, even during periods of financial stress. This communication was aimed at raising awareness in the financial sector and at encouraging more conservative risk assessment practices. Members of the German Financial Stability Committee also referred to the risks associated with RRE and stressed the importance of maintaining prudent lending standards in various interviews and statements.

The Assessment Team acknowledges that the existing data, although not of the highest quality or completely reliable, consistently indicates a favourable development in the DTI ratio, at least until the end of 2022, in line with the objectives set out in the recommendation. Although the same data source points to an increase in average DSTI ratios and in the proportion of loans with high DSTI ratios, data inconsistencies make the calibration of borrower-based measures challenging, especially in the current environment. Therefore, the Assessment Team considers inaction to be a prudent and reasonable approach to macroprudential policymaking. Nevertheless, the German authorities should continue to diligently monitor vulnerabilities related to the excessive build-up of credit risk. Should they detect any signs of loosening RRE lending standards, immediate consideration should be given to incorporating income-related borrower-based measures into the German macroprudential framework. These borrower-based measures would help to promote responsible lending practices and prevent the accumulation of excessive debt, thus contributing significantly to overall financial stability. In this respect, the Assessment Team points to Recommendation C, for which reporting is due by 30 June 2025, and which asks that provisions for DSTI and DTI ratio limits be added to the existing legal framework for macroprudential borrower-based measures relating to the RRE sector in Germany. As emphasised in Recommendation C, this would ensure that macroprudential policy is able to respond in an appropriate and targeted way if it needs to address risks to financial stability arising from looser RRE lending standards.

4.2 Austria

4.2.1 Introduction

ESRB Recommendation ESRB/2021/11 on medium-term vulnerabilities in the RRE sector in Austria was addressed to the macroprudential authorities entrusted with the activation of legally binding borrower-based measures or capital-based measures in Austria.

Compliance with Recommendation A (Activation of legally binding borrower-based measures and Recommendation B (Activation or tightening of capital-based measures) was assessed as of 30 June 2023.

Recommendation A refers to the activation of legally binding borrower-based measures in order to mitigate the vulnerabilities in the RRE sector in Austria as a source of risk to financial stability.

Recommendation B refers to the activation of additional or tightening of existing capital-based measures, so as to ensure the resilience of credit institutions authorised in Austria in the face of the potential materialisation of systemic risk related to RRE which could lead to direct and indirect credit losses stemming from mortgage loans or arising as a consequence of the decrease in consumption by households with housing loans.

The addressee provided a follow-up report on the assessment of the implementation of Recommendation A and Recommendation B of Recommendation ESRB/2021/11 by 30 June 2023.

The follow-up report was submitted by the Austrian Financial Markets Authority.

4.2.2 Assessment methodology and implementation standards

In the case of Austria, the weighting applied for the various recommendations and sub-recommendations is presented in the table below. Overall, equal weightings have been assigned to Recommendations A and B. At the level of each recommendation, the content was weighted at three-quarters, while the reporting and the proportionality count for the remaining one-quarter, with equal weightings of one-eighth each.

Table 14
Individual weighting

Category	Weighting
Recommendation A	1/2
Recommendation B	1/2
Recommendation A	**Weighting**
Activation of legally binding borrower-based measures	3/4
Proportionality	1/8
Reporting	1/8
Recommendation B	**Weighting**
Activation or tightening of capital-based measures	3/4
Proportionality	1/8
Reporting	1/8

The implementation standards for Austria are presented in Annex II.

4.2.3 Assessors' findings

Pursuant to the findings described in the following sections, the overall level of compliance with Recommendation ESRB/2021/11 is:

Table 15
Overall grade

Fully compliant	Largely compliant	Partially compliant	Materially non-compliant	Non-compliant	Sufficiently explained	Insufficiently explained

Box 4

Recommendation A – Activation of legally binding borrower-based measures

Final grade

Pursuant to the findings below, the overall level of compliance with Recommendation A is considered to be **fully compliant**.

The content of the measures, the reporting criteria and the proportionality criteria have been assessed as **fully compliant**.

Table 16

Overview of grade for Recommendation A

Criteria for action	Grade
Content of the measure	Fully compliant
Proportionality	Fully compliant
Reporting	Fully compliant
Grade for Recommendation A	Fully compliant

Comments on the implementation of Recommendation A

The addressee (Austrian Financial Market Authority), on the recommendation of Austria's Financial Market Stability Board, introduced legally binding borrower-based measures[40] with effect from 1 August 2022. The measure was amended slightly on 1 April 2023 in order to introduce some (i) flexibility needs arising in the case of bridging loans and (ii) exemptions with respect to the calculation of banks' buckets. The measure applies to all loans to private individuals (households) for the acquisition, creation and renovation (in a broad sense) of RRE. It defines upper bounds of 90% for the loan-to-value ratio (LTV), 40% for the debt-service-to-income ratio (DSTI) ratio and 35 years for the loan maturity. The measure includes exemption criteria for all borrowers up to €50,000 (up to 2% of new lending volume) intended to finance renovation works and bridging loans. In addition, the Austrian regulation introduced a maximum 20% portfolio limit for all loans granted by each credit institution that may exceed one of the limits mentioned above. Austrian lending

[40] See **Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung**, Austrian Financial Market Authority, 2022.

standards are legally binding and regularly monitored, and their violation by credit institutions is subject to strict fines.

The addressee provides evidence that the measure is also effective, as the share of new loans extended with unsustainable lending standards, and consequently volume shares above the limits, have decreased.

The legally binding borrower-based measures do not cover loans to housing companies created to purchase real estate properties for the purpose of selling them to households. While loans to housing companies engaged in creating RRE for subsequent use by households are classified as commercial real estate loans by the ESRB, as these loans are granted to legal entities, their exclusion from the scope of the measures could create risks of circumvention (e.g. where borrowers manage their immovable property through a housing company, rather than as individuals), to bypass the obligations imposed by borrower-based measures in Austria. The Assessment Team recognised the limited extent and significance of this potential circumvention risk during the remedial dialogue and considers the Austrian authorities to be fully compliant with the recommendation.

Box 5

Recommendation B – Activation or tightening of capital-based measures

Final grade

Pursuant to the findings below, the overall level of compliance with Recommendation B is considered to be **inaction sufficiently explained**.

The content of the measure has been assessed as **inaction sufficiently explained**, while the proportionality of the measure and the reporting criteria have been assessed as **fully compliant**.

Table 17

Overview of grade for Recommendation B

Criteria for action	Grade
Content of the measure	Sufficiently explained
Proportionality	Fully compliant
Reporting	Fully compliant
Grade for Recommendation B	Sufficiently explained

Comments on the implementation of Recommendation B

The addressee has not introduced or tightened capital-based measures.

The decision by the addressee not to introduce or further tighten the capital-based measures is based on the three following main considerations.

- The overall resilience of the Austrian banking sector has been improved by increasing the structural buffer sizes for all banks subject to a systemic risk buffer (SyRB) and other systemically important institutions, with a first increase as of 1 January 2023 and a second increase as of 1 January 2024;
- The risk assessment shows a high level of flow risk but only a medium level of stock risk;
- The borrower-based measures activated following recommendation A are assessed as sufficiently effective to address medium-term vulnerabilities and the level of flow risks, as the addressee provides evidence of decreasing shares above the imposed limits.

Against this backdrop, the Austrian authorities have not put in place further capital-based measures targeting the RRE sector and do not expect to do so for the time being. Meanwhile, they continue to monitor developments in lending standards on a biannual basis.

The Assessment Team carefully assessed the information provided by the addressee. During the remedial dialogue, the Assessment Team acknowledged the improvement in the new lending standards and their contribution to the overall resilience of Austrian credit institutions. Also, the additional evidence submitted by the addressee provides further confirmation that the riskiness of the loan stock can be considered to be sufficiently low.

5 General remarks

The Assessment Team has assessed the compliance of the two EU Member States (Germany and Austria) that received ESRB recommendations on medium-term vulnerabilities in the residential real estate sector (RRE). The compliance assessment findings for Germany and Austria are assessed as fully compliant. Three of the six sub-recommendations were not implemented. The inactions were either due to a favourable trend reflected in the available data, which made further policy tools unnecessary for the time being, or due to the lack of data quality, which warranted caution due to uncertainty. The explanations provided were considered appropriate and sufficient.

There has been an orderly slowdown in the RRE markets across the EEA in recent quarters. This shift marks a downturn in the real estate cycle, primarily influenced by heightened inflationary pressures and subsequent monetary tightening, resulting in increased interest rates for household loans. However, some important cross-country dynamics exist, namely that house price dynamics vary across countries, also depending on how borrowers are affected by the higher interest rates. Notably, Germany and Austria are part of the group of countries in which monetary tightening and deterioration in consumer confidence and the housing market outlook led to weak demand and prompted significant decreases in new housing loans.

It is important to note that the aforementioned developments are not reflected in this compliance assessment, which follows a backward-looking approach, focusing solely on actions taken during the reporting period. The Assessment Team acknowledges recent policy measures to build resilience and mitigate risks associated with RRE markets, including the implementation of capital-based measures in Germany and the transition to legally binding borrower-based measures in Austria. However, authorities are urged to enhance monitoring and data collection frameworks to better detect vulnerabilities in the RRE market and lending standards. For countries undergoing this compliance assessment, maintaining a proactive stance is essential to mitigate potential future risks and uphold long-term financial stability. Specifically, for Germany, assessed by the ESRB in 2023 as only partially meeting policy criteria, ongoing enhancements in vulnerability monitoring using updated data and keeping capital buffers bolstered are recommended to address accumulated vulnerabilities. Similarly, for Austria, supplementing borrower-based measures with capital-based measures or adjusting the calibration of borrower-based measures may be advisable if considered to be ineffective in maintaining sound lending standards.

In conclusion, while this assessment provides a comprehensive overview of the Member States' compliance with the recommendations, it should not mark the end of their efforts. While the compliance assessment provides valuable insights and identifies areas for improvement, the dynamic nature of the RRE sector requires ongoing scrutiny and proactive measures to rectify any persisting weaknesses. By maintaining a proactive approach and improving their data collection and analysis capabilities, these countries can strengthen their RRE sectors, mitigate potential future risks and enhance informed decision-making to safeguard long-term financial stability.

Annex I
Composition of the Assessment Team

Chair	Institutions
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Assessment Team	
Francesco Caloia	De Nederlandsche Bank
Simon Dagrain	Commission de Surveillance du Secteur Financier
Zouhair Kechoute	Banque centrale du Luxembourg
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Annex II
Implementation standards for country-specific recommendations

The implementation standards for country-specific recommendations will be published as a separate document.

Imprint and acknowledgements

This compliance report is based on the results of an assessment conducted by the Assessment Team and was prepared by:

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For specific terminology please refer to the **ESRB glossary** (available in English only).

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