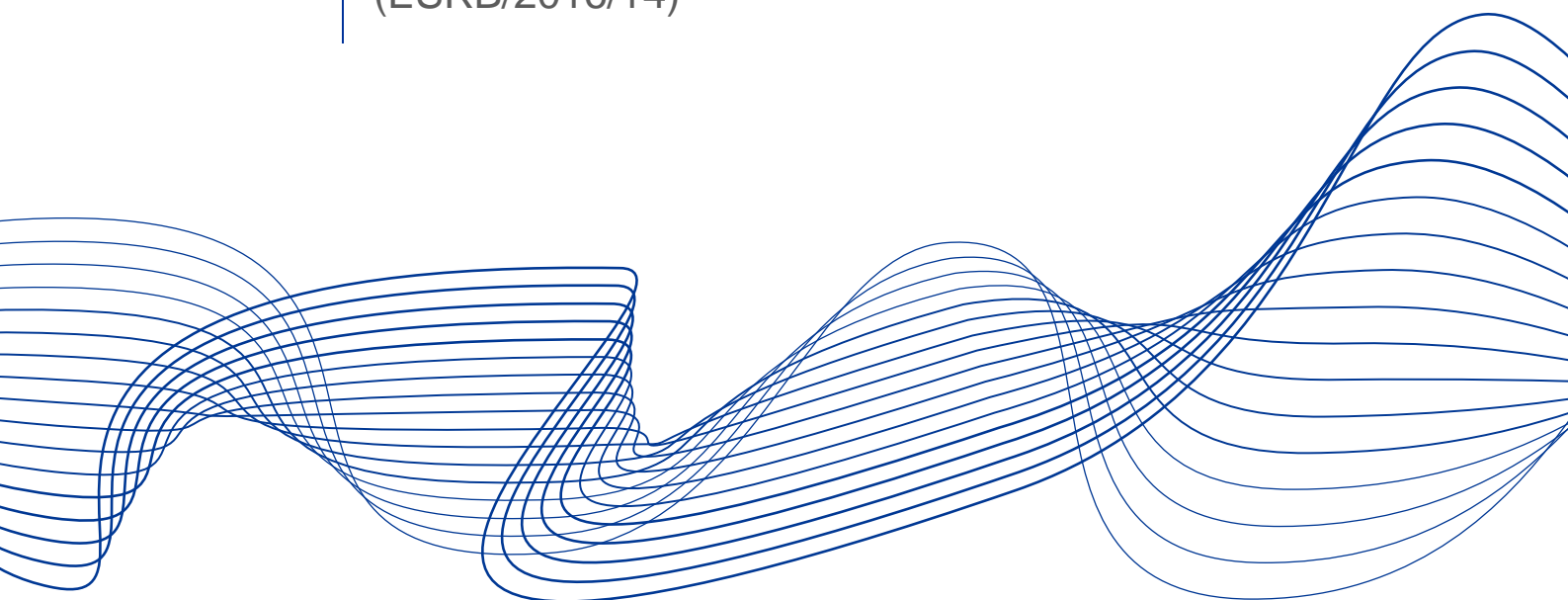# Summary Compliance Report

June 2021

Recommendation of the European Systemic Risk Board of 31 October 2016 on closing real estate data gaps as amended by Recommendation ESRB/2019/3 (ESRB/2016/14)

ESRB
European Systemic Risk Board
European System of Financial Supervision

Contents

1   Introduction

Recommendation ESRB/2016/14 on closing real estate data gaps as amended by Recommendation ESRB/2019/3 (hereinafter 'the Recommendation') is addressed to national macroprudential authorities[1], the European Supervisory Authorities (ESAs) and the Commission (Eurostat), and aims to harmonise the definitions and indicators used for monitoring residential real estate (RRE) and commercial real estate (CRE) markets and to address existing gaps in the availability and comparability of data on RRE and CRE markets in the Union.

In accordance with Article 17 of the ESRB Regulation[2] and recommendations A and B, national macroprudential authorities were requested to deliver to the ESRB, the Commission[3], the Parliament and the Council, a final report on the implementation of the relevant recommendations, by 31 December 2020. The reports were submitted to the ESRB Secretariat.

This compliance report presents the outcome of the assessment of the final reports pertaining to recommendations A and B submitted by national macroprudential authorities on their implementation.

The assessment of the final reports was carried out by an Assessment Team consisting of 10 assessors, including one Chair, endorsed by the Advisory Technical Committee of the ESRB (ATC) (see Annex I of this note), and follows the methodology provided in the "Handbook on the assessment of compliance with ESRB Recommendations" of April 2016 (hereinafter the 'Handbook'[4]).

Overall the Assessment Team, while carrying out the assessment of the final reports, observed a high level of compliance with recommendations A and B, since the majority of the national macroprudential authorities already have a risk monitoring framework for their domestic residential real estate sector, and have or will have almost all the relevant indicators needed for the monitoring of risks arising from the domestic RRE sector available.

The report is structured as follows. Part I recalls the policy objectives taken into account during the process of drafting the Recommendation. Part II 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 III consists of country-specific assessments of compliance with the respective Recommendations by addressees. Part IV includes the overall findings of the

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[1] This includes the macroprudential authorities of the EEA EFTA countries and the UK as per the Agreement on the European Economic Area and the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community.

[2] Regulation (EU) 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

[3] In the case of Iceland, Norway and Liechtenstein to the EFTA Standing Committee

[4] ESRB Handbook on the assessment of compliance with ESRB recommendations, April 2016
    https://www.esrb.europa.eu/pub/pdf/other/160502_handbook.en.pdf?ad3639a90ee362a34bdc71e2faa56e2a

assessment across countries. Part V consists of general remarks regarding all Recommendations.

Annex I lists the members of the Assessment Team. Annex II contains the implementation standards. Annex III provides the list of abbreviations.

2 Policy objectives

The Recommendation aims at harmonising the definitions and indicators used for monitoring residential real estate (RRE) and commercial real estate (CRE) markets and address existing gaps in the availability and comparability of data on RRE and CRE markets in the Union.

Vulnerabilities relating to the real estate sector can be a source of systemic risk and may affect financial stability both directly and indirectly. Addressing these vulnerabilities requires the implementation of a framework to monitor the developments in the real estate sector through a regular collection of comparable country data, so that real estate-related risks across Member States can be more accurately assessed and the use of macroprudential policy instruments can be compared.

The Recommendation provides target working definitions of RRE and CRE and recommends a common set of indicators that national macroprudential authorities should monitor in order to assess risks resulting from the RRE and CRE sectors, while equally specifying the dimensions and degree of granularity for each indicator, the scope of the envisaged information and the measurement of the indicators.

2.1 Content and Structure

The Recommendation is divided into 6 recommendations (e.g. A, B, C, D, E and F), with recommendations A, B, C and D being addressed to national macroprudential authorities, recommendation E addressed to ESAs[5] and recommendation F addressed to the Commission (Eurostat)[6]. The present analysis is focused on recommendations A and B, for which the final reporting obligations were due by the end of 2020.

Recommendation A – Monitoring risks arising from the residential real estate sector

National macroprudential authorities are recommended to implement a risk monitoring framework for their domestic RRE sector, including information on current lending standards for domestic RRE loans. A set of lending standards indicators is recommended for an effective monitoring of risks arising from the RRE market.[7]

National macroprudential authorities are recommended to implement a risk monitoring framework based on a number of additional indicators for the buy-to-let housing market[8] if this market segment represents a significant source of risks stemming from the domestic real estate sector. Where no or limited quantitative information is available to assess the significance of

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[5] Recommendation E refers to the publication by the ESAs of exposure data to national commercial real estate markets.

[6] Recommendation F refers to the establishment of a common minimum framework for the physical commercial real estate market.

[7] Loan-to-value ratio at origination (LTV-O); current loan-to-value ratio (LTV-C); loan-to-income ratio at origination (LTI-O); debt-to-income ratio at origination (DTI-O); loan-service-to-income ratio at origination (LSTI-O); debt-service-to-income ratio at origination (DSTI-O) as optional indicator; number and amount of RRE loans disbursed; maturity of the RRE loans at origination.

[8] Interest coverage ratio at origination (ICR-O); loan-to-rent ratio at origination (LTR-O).

buy-to-let housing, this assessment may initially have to be made on the basis of more qualitative information.

Recommendation B – Relevant information in relation to the residential real estate sector

National macroprudential authorities are recommended to monitor the univariate distribution and the selected joint distributions of the relevant indicators as specified in Template A of Annex II of the Recommendation.

Where buy-to-let housing represents a significant source of risks stemming from the domestic RRE sector, national macroprudential authorities are recommended to monitor risks in relation to the relevant indicators separately for buy-to-let housing and owner-occupied properties, while considering the breakdowns specified in Template B of Annex II of the Recommendation.

3 Assessment methodology

Recital (20) and Article 17 of the ESRB Regulation together mandate the ESRB with the monitoring of the compliance of addressees with respect to the ESRB recommendations.
To this effect, and pursuant to Article 20 of the ESRB Rules of Procedure[9], the ESRB assesses the actions and justifications undertaken and communicated by the addressees of ESRB recommendations in accordance with the "act or explain" mechanism described in Article 17 of the ESRB Regulation, whereby the addressee of a recommendation can either (i) take action in response to a recommendation, or (ii) adequately justify any inaction. The ESRB thus analyses the information provided by addresses and assesses whether the action taken duly achieves the objective of the Recommendation, or whether the justification provided for inaction is sufficient. This analysis results in a final compliance grade being assigned to each addressee, reflecting the level of implementation by the relevant 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. 31 December 2020) and on a further dialogue between the Assessment Team and addressees in the course of 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 ten assessors, with one Chair, endorsed by the ATC (see Annex I of this Report). The Assessment Team conducted a four-eye review, which means that compliance of each addressee was assessed by 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 of the assessment the assessors evaluated the consistency of the assessments. For objectivity purposes, the assessors were not 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 with regard to available resources, while ensuring high-quality deliverables;

Four-eyes review – compliance of each addressee is assessed by at least two assessors who have not been directly involved in assessing the performance of the national authorities they come from;

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

Effective dialogue – communication with the addressees is essential so as 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 Union.

Furthermore, all the addressees were given the opportunity to provide further explanation and information. Thanks to the communication channels established between the Assessment Team and the addressees, the majority of these addressees provided further details during the assessment process, especially in the context of the remedial dialogue.[10] As a result, the Assessment Team reviewed the preliminary assessment in 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

The assessment criteria applied in this evaluation are based on best practices established in previous assessments of compliance with ESRB Recommendations. The assessment criteria describe the actions that are required of the addressees in order 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) 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 of the elements of the Recommendations.

To ensure a consistent and fair analysis, the Assessment Team developed implementation standards for each recommendation/sub-recommendations against which the responses submitted by the addressees were assessed (see Annex III). 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 weights allocated to those criteria.

3.2   Grading methodology

To assign a single grade to each addressee regarding its compliance with the relevant sub-recommendation and recommendation, **the Assessment Team followed a four-step grading**

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[10] The preliminary findings of the Assessment Team have been shared and discussed with the addressees over the period 16-23 February 2021.

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

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

The full grading scale is given in Table 2.1.

Table 2.1
Grading scale

Grading scale for action	
Fully Compliant (FC)	The addressee complies entirely with the requirements.
Largely Compliant (LC)	The requirements have been met almost entirely and only negligible requirements remain to be implemented.
Partially Compliant (PC)	The most important requirements have been met; certain deficiencies affect the adequacy of the implementation or some minor parts of the Recommendation were not implemented.
Materially Non-Compliant (MN)	The requirements have only been fulfilled to a limited degree, resulting in a significant deficiency in the implementation of the Recommendation.
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. If one or more of the sub-recommendations are intended to address a particular systemic risk that does not affect a particular addressee, such justification/explanation may be considered sufficient.
Insufficiently Explained (IE)	The explanation given for the lack of implementation is not sufficient to justify the inaction.

Step II - Compliance grades for every sub-recommendation are converted into a numerical grade (see the Table 2.2). These numerical grades are then weighted and aggregated into a single numerical grade for each recommendation.

Table 2.2

Conversion table: compliance grades to numerical grades

Compliance grade	Numerical grade
Fully compliant (FC)	1
Largely compliant (LC)	0.75
Partially compliant (PC)	0.5
Materially non-compliant (MC)	0.25
Non-compliant (NC)	0
Sufficiently explained (SE)	1
Insufficiently explained (IE)	0

Step III - The numerical grades for recommendations A and B are then weighted and aggregated into a single numerical grade for the entire Recommendation.

In establishing the weights for each recommendation and sub-recommendation, the Assessment Team took into consideration the relative importance of each sub-recommendation and recommendation in relation to the achievement of the policy objectives of the Recommendation as outlined in section 1 of this Report. To this effect, the Assessment Team determined a balanced set of weights to reflect the spirit of the Recommendation while making sure that overall assessment grade is not overly sensitive to changes in the weighting system. In particular, care was taken to strike a balance between the need to implement overall risk monitoring framework and the requirement to collect a set of key RRE market indicators. Sub-recommendations B(1) and B(2) were merged into a single category as they both pertain to the availability of relevant risk-monitoring indicators. Accordingly, the weights assigned by the Assessment Team for each recommendation and sub-recommendation are set out in Table 2.3.

Table 2.3

Weights assigned for each sub-recommendation

Recommendations	Weights	Sub-recommendations	Weights
Recommendation A	0.4	Sub-recommendation A(1)	0.15
		Sub-recommendation A(2)	0.15
		Sub-recommendation A(3)	0.3
		Sub-recommendation A(4)	0.4
Recommendation B	0.6	Sub-recommendations B(1) and B(2)	0.75
		Sub-recommendation B(3)	0.25

Step IV - Finally, the overall compliance grade is determined by converting the single numerical grade for the entire Recommendation into a final grade for compliance using the conversion table below (see Table 2.4).

Table 2.4

Conversion table: numerical grades to compliance grades[11]

Compliance grades	Numerical grades
Action	
FC	(0.9-1>–
LC	(0.67-0.9>
PC	(0.4-0.67>
MN	(0.158-0.4>
NC	(0-0.158>

The level of compliance is finally expressed in a colour-coded form (see Table 2.5).

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[11] This table includes only the case of actions given that there were no overall grades of SE or IE.

Table 2.5

Colour codes for levels of compliance

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

4   Overall results

The assessment of the compliance with the implementation of recommendations A and B of the Recommendation shows that out of the 31 national macroprudential authorities assessed, 21 are graded fully compliant and 10 are graded largely compliant.

According to the assessment results, all the national macroprudential authorities already have a monitoring framework of risks arising from their domestic RRE sector, and already have available or envisage to have available almost all of the relevant RRE indicators in line with recommendations A and B.

The country by country overall results are presented in the colour shaded Table 4.1.

Table 4.1
Country by country overall compliance grades

Addresses		Overall grade	Addresses		Overall grade
AT	NMA	LC	IT	NMA	FC
BE	NMA	FC	LI	NMA	LC
BG	NMA	LC	LT	NMA	FC
CY	NMA	FC	LU	NMA	LC
CZ	NMA	FC	LV	NMA	FC
DE	NMA	LC	MT	NMA	FC
DK	NMA	FC	NL	NMA	FC
EE	NMA	LC	NO	NMA	LC
ES	NMA	FC	PL	NMA	FC
FI	NMA	LC	PT	NMA	FC
FR	NMA	LC	RO	NMA	FC
GR	NMA	FC	SWE	NMA	LC
HR	NMA	FC	SI	NMA	FC
HU	NMA	FC	SK	NMA	FC
IE	NMA	FC	UK	NMA	FC
IS	NMA	FC			

Sources: Assessment Team, based on the country-by-country assessment undertaken in line with the implementation standards.
Notes: NMA stands for national macroprudential authority. Observations for the compliance with recommendation A

The situation is different across countries when distinguishing the compliance with recommendation A from the compliance with recommendation B.

Thus, when considering the existence of a risk monitoring framework for the domestic RRE sector and for the buy-to-let segment, as well as the calculation of indicators and the frequency of the monitoring, 27 national macroprudential authorities are graded fully compliant and 4 largely compliant.

All national macroprudential authorities have implemented a risk monitoring framework for their domestic RRE sector. According to the assessment, only 4 out of the 31 national macroprudential authorities assessed have some minor issues with the overall representativeness of the available data.

An interesting finding is that the buy-to-let segment is explained to be of systemic-importance in only 8 countries out of the 31 analysed. In these countries, a separate risk monitoring framework is being implemented for this segment, using or duly considering using the recommended risk indicators. Moreover, 23 out of 31 national macroprudential authorities did not implement a separate risk monitoring framework for the buy-to-let segment, and they provided justification which is considered adequate and sufficient. In these countries, the buy-to-let segment was explained not to be material/significant. However, among the 23 countries mentioned, one national macroprudential authority did not provide sufficient quantitative or qualitative information on the systemic importance of the buy-to-let segment.

The large majority of the addressees (i.e. 24 national macroprudential authorities) have fully adopted the recommended methods for the calculation of the risk monitoring indicators for the domestic RRE sector. When alternative methods were used for the calculation of the relevant indicators, the addressee has provided full information on the method and its effectiveness in monitoring the risks arising from the domestic RRE sector. Overall, 5 out of 31 national macroprudential authorities have adopted the recommended methods for the calculation of almost all the available indicators, while 2 national macroprudential authorities have adopted these methods for the calculation of only a narrower set of indicators.

Regarding the monitoring frequency, all but one national macroprudential authorities monitor at least annually the developments in the domestic RRE sector on the basis of the available indicators, while 1 national macroprudential authority monitors at least annually almost all the indicators available.

The country by country overall results for the compliance with recommendation A are presented in the colour shaded Table 4.2.

Table 4.2
Country by country overall compliance grades for recommendation A

Addresses		Rec A GRADE	Addresses		Rec A GRADE
AT	NMA	FC	IT	NMA	FC
BE	NMA	FC	LI	NMA	FC
BG	NMA	FC	LT	NMA	FC
CY	NMA	FC	LU	NMA	FC
CZ	NMA	FC	LV	NMA	FC
DE	NMA	FC	MT	NMA	LC
DK	NMA	FC	NL	NMA	FC
EE	NMA	LC	NO	NMA	LC
ES	NMA	LC	PL	NMA	FC
FI	NMA	FC	PT	NMA	FC
FR	NMA	FC	RO	NMA	FC
GR	NMA	FC	SWE	NMA	FC
HR	NMA	FC	SI	NMA	FC
HU	NMA	FC	SK	NMA	FC
IE	NMA	FC	UK	NMA	FC
IS	NMA	FC			

Sources: Assessment Team, based on the country-by-country assessment undertaken in line with the implementation standards.
Notes: NMA stands for national macroprudential authority.Observations for the compliance with recommendation B

When considering only the availability of the RRE risk indicators recommended, twenty-one national macroprudential authorities were graded fully compliant, seven largely compliant and three partially compliant.

According to the assessment findings, 28 out of the 31 national macroprudential authorities already have available or envisage to have available almost all the RRE risk indicators in line with Recommendation B. The remaining three national macroprudential authorities have or envisage to have available only a narrower set of RRE risk indicators.

21 addressees out of the 31 assessed collect the whole information set outlined in Recommendation A1 and A2 and detailed in Annex II or provide adequate justification for the absence of some indicators, 7 national macroprudential authorities collect almost the whole information set, while 3 national macroprudential authorities collect only a narrower set of risk indicators or provide only a partial justification for the absence of some indicators.

Regarding the availability of recommended risk indicators for the buy-to-let segment, in 23 out of 31 countries this indicator set is not available, but the addressees provided sufficient justification of its absence explaining its immateriality. Among the 8 countries where a risk monitoring framework exists for the buy-to-let segment, 5 addressees collect the whole recommended information set for the buy-to-let segment or provide adequate justification for the absence of some indicators, 1 addressee collects almost the whole information set and 2 addressees collect a narrower set of risk indicators for this segment or provide only partial justification for the absence of some indicators.

The country by country overall results for the availability of RRE risk indicators are presented in the colour shaded Table 4.3.

Country by country overall compliance grades for recommendation B

	Addresses	Rec B GRADE		Addresses	Rec B GRADE
AT	NMA	LC	IT	NMA	FC
BE	NMA	FC	LI	NMA	PC
BG	NMA	LC	LT	NMA	FC
CY	NMA	FC	LU	NMA	LC
CZ	NMA	FC	LV	NMA	FC
DE	NMA	LC	MT	NMA	FC
DK	NMA	FC	NL	NMA	FC
EE	NMA	LC	NO	NMA	PC
ES	NMA	FC	PL	NMA	FC
FI	NMA	LC	PT	NMA	FC
FR	NMA	PC	RO	NMA	FC
GR	NMA	FC	SWE	NMA	LC
HR	NMA	FC	SI	NMA	FC
HU	NMA	FC	SK	NMA	FC
IE	NMA	FC	UK	NMA	FC
IS	NMA	FC			

Source: Assessment Team, based on the country-by-country assessment undertaken in line with the implementation standards. Notes: NMA stands for national macroprudential authority.

5   Conclusions

The Assessment Team has assessed the compliance of the 31 EEA countries with the recommendations A and B of the Recommendation. The assessment shows a large compliance with the recommendations A and B, both in terms of the existence of a risk monitoring framework for the domestic RRE sector and of the availability of relevant RRE risk indicators.

A risk monitoring framework for the domestic RRE sector exists in all the 31 EEA countries. The buy-to-let segment is explained not to be material/significant in 23 out of the 31 EEA countries assessed, and therefore a risk monitoring framework for this segment is not established. In this respect, the inaction in the 23 countries is assessed to be sufficiently explained, given the justification provided by the addresses that was deemed appropriate and sufficient in the majority of cases.

Furthermore, the assessment shows a broadly large availability of RRE risk indicators, with 28 national macroprudential authorities already having or envisaging to have almost all of the indicators In line with recommendation B. An interesting finding is that of the scarce availability of RRE risk indicators for the buy-to-let segment, that are completely missing in 23 out of the 31 of the reporting authorities (due to the lack of relevance of this market segment in the relevant countries).

In conclusion, while a risk monitoring framework for the domestic RRE sector has been established in all the 31 EEA countries, only 28 national macroprudential authorities already have or will have available the majority of the relevant RRE risk indicators in line with recommendation B, illustrating the need for further progress in terms of data availability for the domestic RRE sector in the remaining three countries.

The EEA Member States should continue further monitoring the risks arising in their domestic RRE sector. Depending on the risk developments, they should consider establishing a risk monitoring framework for the buy-to-let segment and make the relevant risk indicators for this segment available, should the importance of the buy-to-let segment in the overall RRE sector increase and should the riskiness of this segment increase significantly.

Annex I: Composition of the Assessment Team

(Approved by the ATC via Written Procedure ATC/WP/040)

Chairperson	Institutions
Ms. Ramona Jimborean	European Commission
Assessment Team	
Mr. Simon Dagrain	Commission de Surveillance du Secteur Financier, Luxembourg
Mr. Miroslav Plašil	Česká národní banka
Mr. Francesco Caloia	De Nederlandsche Bank
Mr. Jari Friebel	Deutsche Bundesbank
Ms. Tuulia Asplund	Suomen Pankki – Finlands Bank
Ms. Maria Vergeti	Bank of Greece
Ms. Marianna Caccavaio	Banca d'Italia
Ms. Milda Stankuvienė	Lietuvos Bankas
Mr. Zouhair Kechoute	Banque Centrale du Luxembourg
Secretariat	
Eleni Katsigianni	ESRB Secretariat
Dimitrios Vitellas	ESRB Secretariat
Aleksandra Granat	ESRB Secretariat
Emmanuel Karfis	ESRB Secretariat
Federico Pistelli	ESRB Secretariat

Annex II: Implementation Standards for Recommendation ESRB/2016/14 as amended by Recommendation ESRB/2019/3

Recommendation	A1	A2
Name	**Implementation of a risk monitoring framework for RRE sector**	**Implementation of a risk monitoring framework for buy-to-let segment**
Notes for the assessors / Explanations	The assessors should only check if the monitoring framework is in place and relies on the risk indicators pertaining to the current lending standards (the very existence of the framework is what should mainly be assessed here). To avoid any double counting, no penalization should be considered if some of the indicators are missing. The assessors should however take into account whether the adressee duly considered their use but eventually decided otherwise. Overall representativeness of the information with respect to the RRE market should also be assessed here. It might be difficult for the assessors to check whether the information only relates to domestic providers on solo basis, but they may take this issue into consideration if the addressee explicitly states in the reporting template that this is not the case.	The assessment of this criterion is a two-stage procedure. In the first step, the assessors should decide (based on the information provided) if the addressee did duly assess systemic-importance of the buy-to-let-segment. If the anwer is yes and this segment is a source of risk, the assessors proceed with the second step that is analogous to the Recommendation A1 (again, the main emphasis is placed on the very existence of the framework and its representativeness to avoid double counting. if some of the indicators are missing this will be penalized through Recommendation B). Note that it might happen that the addressees consider buy-to-let segment immaterial but still are able to collect selected information for buy-to-let loans separately (they mark the information as available in the template). In this case, the first step still remains crucial for assessing the compliance with the Recommendation A2.
Positive grades — **Fully compliant (FC) - Actions taken fully implement the recommendation**	The addressee implemented a domestic risk monitoring framework for the RRE sector using information on current lending standards for domestic RRE loans. The adressee uses or has duly considered using the risk indicators listed in the Recommendation A1 and further detailed in Recommendation B and Annex II. Collected information is sufficiently representative of the RRE market and pertains to the domestic providers on solo basis.	The addressee assessed whether buy-to-let segment represents a source of systemic risks for RRE market. The addressee provides Assessment team with enough information to verify this claim. If the buy-to-let segment is found to be of systemic-importance, the addressee implemented a seperate risk monitoring framework for this segment and uses or has duly considered using the risk indicators specified in Recommendation A2 and detailed in Annex II. Principles pertaning to data representativeness and solo basis information (see Recommendation A1) still apply, however they are narrowed down to buy-to-let segment.

Summary Compliance Report June 2021 - Annex II: Implementation Standards for Recommendation ESRB/2016/14 as amended by Recommendation ESRB/2019/3

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	Recommendation	A1	A2
	Name	**Implementation of a risk monitoring framework for RRE sector**	**Implementation of a risk monitoring framework for buy-to-let segment**
Positive grades	**Largely compliant (LC) - Actions taken implement almost all of the recommendation**	The addressee implemented the framework using information on current lending standards for domestic RRE loans, but there are some minor issues with the overall representativeness of the collected (available) data.	The addressee assessed whether buy-to-let segment represents a source of systemic risks for RRE market but minor issues with this assessment are observed. The buy-to-let segment was found to be of systemic-importance and the addressee implemented a seperate risk monitoring framework for this segment. There are only minor issues with overall representativeness of the data.
	Sufficiently explained (SE) - No actions were taken but The addressee provided sufficient justification	The addressee did not implement a risk monitoring framework for the RRE market or implemented a framework which is not consistent with the spirit of the Recommendation A1; however, the addressee provides justification which is considered adequate and sufficient for such an action (note that SE grade is very unlikely here).	The addressee did not implement a seperate and recommendation-consistent risk monitoring framework for the buy-to-let segment (this only applies if it was found a source of systemic-risks); however, the addressee provides justification which is considered adequate and sufficient for implementing alternative framework or no framework at all.
Mid-grade	**Partially compliant (PC) - Actions taken only implement part of the recommendation**	The addressee has not provided enough information on data representativeness which cannot be therefore assessed or inferred from the information included in the template.	(if the buy-to-let segment is a significant source of risks): The addressee implemented a seperate framework for buy-to-let segment, but there are issues with data representativeness or the addressee did not duly considered using all risk indicators listed in the Recommendation A2 and Anex II. The addressee has not provided enough information on data representativeness which cannot be therefore assessed or inferred from the information included in the template.

Summary Compliance Report June 2021 - Annex II: Implementation Standards for Recommendation ESRB/2016/14 as amended by Recommendation ESRB/2019/3

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Recommendation	A1	A2
Name	**Implementation of a risk monitoring framework for RRE sector**	**Implementation of a risk monitoring framework for buy-to-let segment**
Materially non-compliant (MN) - Actions taken only implement a small part of the recommnedation	The addressee implemented a monitoring framework of some sort but its character is not in line with the Recommendation (without justification). Listed indicators are not in use and were not even considered. There are serious issues with the representativeness of the whole data pack.	The addressee did not assess (or assessed only very poorly) a degree of potencial risks arising from the buy-to-let segment. Quantitative or reliable qualitative information on the systemic importance was not provided to the Assessment team. The addressee implemented a seperate risk monitoring framework of some sort but its character is not line with the Recommendation. Listed indicators are not in use and were not considered or there are serious issues with the representativeness of the whole data pack.
Non-compliant (NC) - Actions taken are not in line with the nature of the recommendation	The addressee did not implement a risk monitoring framework.	The addressee did not at all assess a degree of potencial risks arising from the buy-to-let segment while the Assessment team has strong reasons to believe that the segment is materially relevant in a given country. The addressee did not implement any seperate risk monitoring framework for the buy-to-let segment which was found to be a source of systemic risks.
Inaction insuffficiently explained (IE) - No actions were taken and The addressee did not provide sufficient justification	The addressee did not take any action to implement a risk monitoring framework and provided no justification (note that it is unlikely to receive IE grade because countries that provide no information in the template should simply be graded as non-compliant).	The addressee did not take any action to implement a seperate risk monitoring framework for the buy-to-let segment which was found a source of systemic risks and provided no justification (note that it is unlikely to receive IE grade because countries that provide no information in the template should simply be graded as non-compliant).

Negative grades

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Recommendation	A3	A4
Name	**Implementation of a risk monitoring framework for RRE sector**	**Implementation of a risk monitoring framework for buy-to-let segment**
Notes for the assessors / Explanations	The assessors should only check if the monitoring framework is in place and relies on the risk indicators pertaining to the current lending standards (the very existence of the framework is what should mainly be assessed here). To avoid any double counting, no penalization should be considered if some of the indicators are missing. The assessors should however take into account whether the adressee duly considered their use but eventually decided otherwise. Overall representativeness of the information with respect to the RRE market should also be assessed here. It might be difficult for the assessors to check whether the information only relates to domestic providers on solo basis, but they may take this issue into consideration if the addressee explicitly states in the reporting template that this is not the case.	The assessment of this criterion is a two-stage procedure. In the first step, the assessors should decide (based on the information provided) if the addressee did duly assess systemic-importance of the buy-to-let-segment. If the anwer is yes and this segment is a source of risk, the assessors proceed with the second step that is analogous to the Recommendation A1 (again, the main emphasis is placed on the very existence of the framework and its representativeness to avoid double counting. if some of the indicators are missing this will be penalized through Recommendation B). Note that it might happen that the addressees consider buy-to-let segment immaterial but still are able to collect selected information for buy-to-let loans separately (they mark the information as available in the template). In this case, the first step still remains crucial for assessing the compliance with the Recommendation A2.
Positive grades — **Fully compliant (FC) - Actions taken fully implement the recommendation**	The addressee adopted methods specified in Annex IV for the calculation of the indicators listed in Recommendations A(1) and A(2) and detailed in Annex II (range/tolerace 95-100%) In cases where another method is used in addition to that specified in Annex IV for the calculation of the relevant indicators, the addressee provides full information on the method's technical features and its effectiveness in monitoring risks arising from the RRE sector.	Using a set of available indicators, the addressee monitors developments in domestic RRE sector at least in annual frequency (the addressee carries out an analysis of developments in domestic RRE sector using new information at least once a year).
Positive grades — **Largely compliant (LC) - Actions taken implement almost all of the recommendation**	The addressee adopted methods specified in Annex IV for the calculation of almost all available indicators (Range/tolerance 80-95%). The addressee provided sufficient information for the usage of additional methods, however some minor information is missing.	The addressee monitors developments in domestic RRE sector at least once a year using new information on almost all available indicators (Range/tolerance 80-95%).
Sufficiently explained (SE) - No actions were taken but The addressee provided sufficient justification	N/A	N/A

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	Recommendation	A3	A4
	Name	**Implementation of a risk monitoring framework for RRE sector**	**Implementation of a risk monitoring framework for buy-to-let segment**
Mid-grade	**Partially compliant (PC) - Actions taken only implement part of the recommendation**	The addressee adopted the methods specified in Annex IV for the calculation of a narrower set of indicators (Range/tolerance 50-80%). The addressee provided some information for the usage of additional methods, however some essential information is missing.	The addressee monitors developments in domestic RRE sector at least once a year using new information on a fraction of available indicators (Range/tolerance 50-80%).
Negative grades	**Materially non-compliant (MN) - Actions taken only implement a small part of the recommnedation**	The addressee adopted methods specified in Annex IV for the calculation of only a very limited number of the indicators (Range/tolerance 20-50%). The addressee provided insufficient information for the usage of additional methods. Most of the essential information is missing.	The addressee monitors developments in domestic RRE sector at least once a year using new information on a very small fraction of available indicators (Range/tolerance 20-50%).
	Non-compliant (NC) - Actions taken are not in line with the nature of the recommendation	The addresse did not adopt methods specified in Annex IV for the calculation of the indicators (Range/tolerance 0-20%).	The addressee is not able to monitor developments in domestic RRE sector at least annualy using new information or this monitoring is largely insufficient (Range/tolerance 0-20%).
	Inaction insuffficiently explained (IE) - No actions were taken and The addressee did not provide sufficient justification	N/A	N/A

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