Summary Compliance Report

May 2019

ESRB Recommendation on guidance for setting countercyclical buffer rates (ESRB/2014/1)

ESRB
European Systemic Risk Board
European System of Financial Supervision

Contents

Introduction

This Summary Compliance Report (hereinafter "the Report") provides an assessment of the level of implementation of the European Systemic Risk Board (ESRB) Recommendation on guidance for setting countercyclical buffer rates (ESRB/2014/1) (hereinafter "the Recommendation") by its addressees – i.e. the national designated authorities (NDAs) of the EU Member States, plus the European Central Bank (ECB), owing to its macroprudential powers and role within the SSM under Regulation (EU) No 1024/2013.[1,2]

Recommendations issued by the ESRB are not legally binding, but are subject to an "act or explain" regime in accordance with Article 17 of the ESRB Regulation.[3] This means that the addressees of those recommendations are under an obligation to communicate to the ESRB and the Council of the EU the actions they have taken to comply with those recommendations or to provide adequate justification in the case of inaction.

Under Section 2(3) of the Recommendation, the addressees were requested to provide the ESRB, by 30 June 2016, with a report explaining the measures taken to comply with the Recommendation. For the purposes of that reporting, the ESRB Secretariat prepared a standardised follow-up template questionnaire, which was filled in and submitted by all addressees. The assessment of addressees' compliance or justification for non-compliance was based on their submissions to the ESRB Secretariat using that dedicated template. Other information provided by the addressees during the assessment process was also included in the final assessment. This Report reflects the implementation status as at February 2018.[4]

In order to perform the assessment, an Assessment Team was set up under the auspices of the Advisory Technical Committee (ATC) in 2017.[5] The Assessment Team was composed of ten assessors and was supported by ESRB Secretariat staff (see Annex I for details of its composition).

The assessment was conducted by duly taking into account:

- the criteria contained in Section 2(2) of the Recommendation;

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1 **Recommendation of the European Systemic Risk Board of 18 June 2014 on guidance for setting countercyclical buffer rates (ESRB/2014/1), OJ C 293, 2.9.2014, p. 1.** See Recital 4 of the Recommendation, according to which "[…] if it deems it necessary, the ECB may apply higher requirements for countercyclical capital buffers than those applied by the national designated authorities. For this exclusive purpose, the ECB is considered, as appropriate, the designated authority and has the powers and obligations, which designated authorities have under the relevant Union law."

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

3 **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.**

4 However, information received at a later stage when discussing the preliminary findings of the Assessment Team with the addressees of the Recommendation was also taken into consideration in the final assessment.

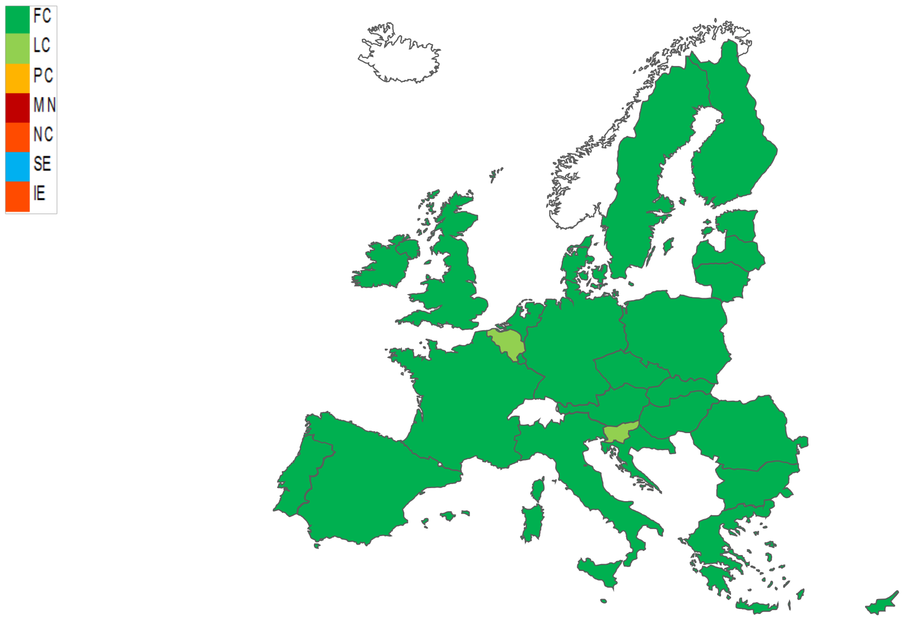
5 The Assessment Team was established in line with subsections 3.2 and 3.4 of the **Handbook on the assessment of compliance with ESRB recommendations, Revised Handbook, April 2016.**

- the methodology set out in the Handbook on the assessment of compliance with ESRB recommendations (April 2016 version; hereinafter "the Handbook"), which describes the procedure for assessing compliance with ESRB recommendations;
- the implementation standards prepared by the Assessment Team, which specify the grade to be awarded for each sub-recommendation on the basis of the compliance criteria (see Annex II for details of the implementation standards);
- the principle of proportionality.

Overall, the addressees were all graded as being either fully compliant (FC) or largely compliant (LC) with the Recommendation, as shown in Figure 1.

Figure 1

Addressees' compliance with Recommendation ESRB/2014/1 on guidance for setting countercyclical buffer rates



This figure shows the overall compliance grade achieved by each NDA.
The ECB is not included in this illustration.

In the sections that follow, this Report will set out:

1. the objectives of the ESRB Recommendation;
2. the methodology used by the Assessment Team and the weights assigned to each sub-recommendation and recommendation;
3. the assessment results for each sub-recommendation and recommendation, including a brief description of the relevant justification; and
4. the overall conclusions of the Assessment Team as regards the level of implementation observed.

1 Objectives of the ESRB Recommendation

Recommendation ESRB/2014/1 aims to guide authorities in the operationalisation of a framework for the countercyclical capital buffer (CCyB), as established by CRD IV, which is based on guidance previously developed by the Basel Committee on Banking Supervision (BCBS).[6,7]

The CCyB forms part of a set of macroprudential policy tools and is designed to counter the procyclical amplification of financial shocks to the real economy through the banking system and financial markets. Additional capital should be accumulated when cyclical systemic risk is judged to be building up, so as to increase the resilience of the banking sector during periods of stress. In those periods, the prompt release of the CCyB is intended to help credit institutions to absorb losses, while preventing severe disruptions in the flow of credit to the real economy. That release can also be more gradual when the downswing of the financial cycle does not coincide with a materialisation of risks and when threats to the resilience of credit institutions from excessive credit growth have receded. The CCyB may be used either in isolation or in combination with other instruments. As regards the general framework established by CRD IV, designated authorities follow the principle of "guided discretion" when deciding on the appropriate buffer rate. That principle consists of a combination of a rule-based approach and the exercising of expert judgement. Furthermore, designated authorities are required to publish a buffer guide on a quarterly basis as a benchmark for reference purposes (which does not, however, give rise to an automatic buffer setting or bind the authority concerned).

Against this background, the Recommendation incorporates the main findings of the ESRB occasional paper on operationalising the countercyclical capital buffer which was published in June 2014.[8] The methodology described in the BCBS's guidance on mapping the credit-to-GDP gap to a benchmark buffer rate may be complemented by other variables to guide the exercising of discretion by the relevant authorities. Empirical analysis shows that accuracy may be increased by including the following set of variables: (i) measures of potential overvaluation of property prices; (ii) measures of credit developments; (iii) measures of external imbalances; (iv) measures of the strength of bank balance sheets; (v) measures of the private sector debt burden; and (vi) measures of potential mispricing of risk. As regards the materialisation of risks and subsequent reduction or release of the CCyB, while empirical findings suggest that financial market prices have the best signalling qualities, the limited availability of sufficiently long time series affects the robustness of such indicators and thus entails greater discretion on the part of the relevant authority.

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6 **Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, OJ L 176, 27.6.2013, p. 338.** See also Article 135 of this Directive.

7 **Guidance for national authorities operating the countercyclical capital buffer**, BCBS, December 2010. For an overview of the international implementation of the CCyB, see "**Range of practices in implementing the countercyclical capital buffer policy**", BCBS, June 2017.

8 "**Operationalising the countercyclical capital buffer: indicator selection, threshold identification and calibration options**", *ESRB Occasional Paper Series*, No 5, June 2014. In elaborating the economic rationale for the Recommendation, this paper proposes a methodology for cross-checking calibration decisions taken by the authorities in charge of setting the CCyB. In particular, this paper tests the BCBS guidance using both univariate and multivariate signalling.

However, the credit-to-GDP gap proposed in the BCBS's guidance may not appropriately capture certain national specificities. In these instances, the addressees of the Recommendation may assign more weight to certain variables, or to qualitative rather than quantitative information, or they may even opt to consider other indicators entirely. Furthermore, the guidance provided in the Recommendation is based on the assumption that the data referred to therein are available in the Member State in question.

Importance is also attributed to the communication strategy pursued by the relevant authority, so as to manage public expectations, as well as to enhance coordination between authorities and, more generally, to foster awareness, accountability and the effectiveness of macroprudential policy measures.

The Recommendation consists of four recommendations, which are, in turn, composed of several sub-recommendations. A brief description of the policy objectives of each recommendation and sub-recommendation follows.

Recommendation A – Principles. Recommendation A is composed of seven sub-recommendations, which establish guiding principles that designated authorities should adhere to when assessing and setting the CCyB rate. The compliance assessment of recommendation A requires an examination of both the national CCyB framework and the application of the guiding principles when setting CCyB rates.

- **Sub-recommendation A(1) ("Objective")** establishes that decisions on the CCyB rate should be guided by the objective of protecting the banking system from losses associated with the build-up of cyclical systemic risks, thereby supporting the sustainable provision of credit to the real economy throughout the financial cycle.

- **Sub-recommendation A(2) ("Buffer guide")** defines the credit-to-GDP gap as the deviation of the ratio of credit-to-GDP from its long-term trend. The credit-to-GDP gap is identified as a common starting point that should guide decisions on CCyB rates. Designated authorities are also required to take into account other quantitative and qualitative information, including information reflecting national specificities, and to explain its relevance to the public when setting the buffer rate.

- **Sub-recommendation A(3) ("Risk of misleading information")** requires designated authorities to assess the information contained in the credit-to-GDP gap and other variables or models that combine variables, and alerts them to the potential risk posed by misleading information. Authorities are required to take such assessments into account when exercising judgement regarding the sustainability of credit growth and setting the CCyB rate. The usefulness of these variables and models should be reassessed periodically.

- **Sub-recommendation A(4) ("Release of the buffer")** provides guidelines for the release of the CCyB. The buffer's release may be deemed appropriate either (i) when risks materialise or (ii) when risks do not materialise but are judged to recede. In the case of the former, the release should occur promptly in order to help credit institutions to maintain lending to the real economy and comply with solvency requirements while absorbing losses. In the case of the latter, it may be more appropriate to release the buffer gradually and to establish an indicative period during which no increase is expected.

- **Sub-recommendation A(5) ("Communication")** requires designated authorities to develop a clear strategy for communicating their decisions on the CCyB. It specifies that such a strategy should include a mechanism for coordinating with other designated authorities and the ESRB, as well as processes and channels for communicating with key stakeholders and the public.

- **Sub-recommendation A(6) ("Recognition of buffer rates")** states that recognition of CCyB rates, in addition to mandatory reciprocity arrangements, should be regarded as a general rule. In the event of a non-recognition decision, designated authorities should assess the cross-border implications of such a choice and should notify the ESRB and the designated authority setting the buffer rate. Where at least one of the designated authorities is from a Member State participating in the SSM, the ECB should also be notified.

- **Sub-recommendation A(7) ("Other macro-prudential instruments")** identifies that the CCyB forms part of a suite of macroprudential instruments. Thus, designated authorities should consider when to (i) apply this instrument in isolation, (ii) apply other macroprudential instruments, and (iii) combine the CCyB with other instruments.

Recommendation B – Guidance on the measurement and calculation of the credit-to-GDP gap, calculation of the benchmark buffer rate and the buffer guide. The assessment of recommendation B requires an examination of the methodology applied by designated authorities for the purposes of measuring and calculating the credit-to-GDP gap, the benchmark buffer rate and the buffer guide. Recommendation B is composed of six sub-recommendations.

- **Sub-recommendation B(1)** instructs designated authorities to measure and calculate a standardised credit-to-GDP gap on a quarterly basis in accordance with the BCBS's guidance as specified in Part I of the annex to the Recommendation.

- **Sub-recommendation B(2)** addresses the differences between national economies by suggesting that designated authorities also consider measuring and calculating an additional credit-to-GDP gap, further to the standardised credit-to-GDP gap calculated in accordance with the BCBS's guidance. In such instances, the designated authorities are encouraged to: (i) use a method for measurement and calculation which reflects the deviation of the credit-to-GDP ratio from its long-term trend; (ii) base that measurement and calculation on empirical analysis of data relevant for the Member State concerned; and (iii) base any revision of the alternative method on a thorough review of its performance in signalling the build-up of risks that are associated with the type of crisis the CCyB is designed to mitigate. Designated authorities are requested to measure and calculate that additional credit-to-GDP gap on a quarterly basis.

- **Sub-recommendation B(3)** encourages designated authorities to calculate, on a quarterly basis, a benchmark buffer rate based on the standardised credit-to-GDP gap in accordance with the BCBS's guidance. In addition, where applicable, designated authorities are also recommended to calculate, on a quarterly basis, either (i) a benchmark buffer rate based on the standardised credit-to-GDP gap and calculated in accordance with a methodology which differs from the one set out in Part II of the annex to the Recommendation, or (ii) a benchmark buffer rate based on the additional credit-to-GDP gap and calculated in accordance with a methodology which differs from the one set out in Part II of the annex to the Recommendation.

- **Sub-recommendation B(4)** is relevant where, for a particular quarter, a benchmark buffer rate based on either the standardised credit-to-GDP gap or the additional credit-to-GDP gap was calculated using a methodology that differs from that set out in Part II of the annex to the Recommendation. In such cases, for the purposes of CRD IV, designated authorities should select as a buffer guide the benchmark buffer rate that best reflects the specificities of the respective national economy.

- **Sub-recommendation B(5)** recommends that, as part of the information accompanying the announcement of the CCyB rate as required under Article 136(7) of CRD IV, designated authorities publish the following elements: (a) the standardised credit-to-GDP gap and the corresponding ratio of credit to GDP; (b) the additional credit-to-GDP gap and the corresponding ratio of credit to GDP, where calculated, and justification for the deviation from the BCBS's guidance; (c) the benchmark buffer rate based on the standardised credit-to-GDP gap calculated in accordance with the BCBS's guidance; (d) where applicable, the benchmark buffer rate based on the standardised credit-to-GDP gap that is calculated in accordance with a methodology that differs from the BCBS's guidance or the benchmark buffer rate based on an additional credit-to-GDP gap that is calculated in accordance with a methodology that differs from the BCBS's guidance; (e) the sources of the underlying data and other relevant metadata. It is recommended that these elements be published on a quarterly basis on designated authorities' websites.

- **Sub-recommendation B(6)** recommends that, as part of the information accompanying the announcement of the CCyB rate as required under Article 136(7) of CRD IV, designated authorities explain the reasons which have led them to depart from the measurement and calculation methods set out in the relevant sub-recommendations as regards the credit-to-GDP gap (sub-recommendations B(1) and B(2)), the benchmark buffer rate (sub-recommendation B(3)) or the buffer guide (sub-recommendation B(4)).

Recommendation C – Guidance on variables that indicate the build-up of system-wide risk associated with periods of excessive credit growth. The compliance assessment of this recommendation requires an examination of the variables used by designated authorities when setting the CCyB rate during periods characterised by a build-up of system-wide risk. Recommendation C is composed of three sub-recommendations.

- **Sub-recommendation C(1)** recommends that designated authorities take account of a range of quantitative and qualitative information, in addition to the credit-to-GDP gap, in order to inform their judgement as to the appropriate CCyB rate. Such information should indicate the build-up of system-wide risk associated with periods of excessive credit growth.

- **Sub-recommendation C(2)** sets out seven groups of variables which should be monitored when assessing quantitative information: (a) measures of potential overvaluation of property prices; (b) measures of credit developments; (c) measures of external imbalances; (d) measures of the strength of bank balance sheets; (e) measures of the private sector debt burden; (f) measures of potential mispricing of risk; and (g) measures derived from models that combine the credit-to-GDP gap with a selection of the above measures.

- **Sub-recommendation C(3)** recommends the quarterly publication on the designated authority's website of at least one measure belonging to each group mentioned in sub-recommendation C(2), with the exception of the last one. This information should accompany the announcement of the CCyB rate as required under Article 136(7) of CRD IV.

Recommendation D – Guidance on variables that indicate that the buffer should be maintained, reduced or fully released. The compliance assessment of recommendation D requires an examination of the variables used by designated authorities when maintaining, reducing or fully releasing the CCyB. Recommendation D is composed of four sub-recommendations.

- **Sub-recommendation D(1)** recommends that designated authorities take account of a range of quantitative and qualitative information in order to inform their judgement as to the appropriate CCyB rate. Such information should be taken into account when deciding to maintain, reduce or fully release the CCyB.

- **Sub-recommendation D(2)** sets out two groups of variables which should be monitored when assessing quantitative information: measures of stress in bank funding markets; and measures that indicate general systemic stress.

- **Sub-recommendation D(3)** recommends that, in order to decide on whether to maintain, reduce or fully release the CCyB, designated authorities should exercise greater judgement when monitoring the variables specified in sub-recommendation D(2).

- **Sub-recommendation D(4)** recommends the quarterly publication on the designated authority's website of at least one variable from each of the two groups mentioned in sub-recommendation D(2). This information should accompany the announcement of the CCyB rate as required under Article 136(7) of CRD IV.

2 Methodology

The assessment of the implementation of the Recommendation (and thus, of each of the recommendations and sub-recommendations contained therein) has been carried out on the basis of the "act or explain" mechanism in accordance with Article 17 of the ESRB Regulation. Under those arrangements, the addressee of the Recommendation can either (i) take action in response to each of the recommendations and inform the ESRB of such action, or (ii) take no action, provided that it can properly 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 sufficient. 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 Recommendation (i.e. 30 June 2016) and further dialogue between the Assessment Team and addressees in the course of the assessment process. This Report reflects the implementation status as at February 2018.[9]

The assessment followed the methodology set out in the Handbook. The Assessment Team conducted a "four-eye review", meaning that each addressee's compliance was assessed by two assessors – one horizontal and one vertical. In the horizontal analysis (i.e. by addressee), the assessors evaluated a single addressee's compliance with all recommendations. In the vertical analysis (i.e. by recommendation), the assessors evaluated all addressees' compliance with each recommendation and sub-recommendations contained therein. The assessors were not directly involved in grading the performance of their own respective authorities. Afterwards, the results of the horizontal and vertical assessors were cross-checked to prepare the final assessment.

The assessment of the ECB was based on different assessment criteria, owing to its unique macroprudential powers and role within the SSM.[10] Indeed, while the ECB has the power to "top up" a CCyB rate set by an NDA, it cannot reduce it; neither does the ECB have the power to release the CCyB. Since the introduction of the CCyB in the EU on 1 January 2016, the ECB has not exercised its discretionary power to increase the CCyB rate set by an NDA within the SSM. This, combined with the fact that the ECB has not published a methodological framework document on the CCyB, makes it difficult to fully assess its compliance with the Recommendation. Nonetheless, the ECB was assessed in the specific context of its regular monitoring and assessment of the CCyB rates proposed by the NDAs in the SSM. Thus, the ECB is expected to observe the Recommendation to the relevant extent. For the reasons outlined above, the weights applied differ between the NDAs and the ECB (see Section 2.2 of this Report).

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9 However, information received at a later stage when discussing the preliminary findings of the Assessment Team with the addressees of the Recommendation was also taken into consideration in the final assessment.

10 As set out in Article 5 of the SSM Regulation. Moreover, the ECB's macroprudential mandate is acknowledged in Recital 4 of the Recommendation.

2.1 Assessment criteria, grading methodology and principle of proportionality

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 addressees in order to achieve the objectives of the Recommendation. With this in mind, the Assessment Team took due account of the implementation criteria set out in Section 2.2 of the Recommendation. Grading was then guided by the relevant implementation standards, which specify how different actions or inaction for each sub-recommendation should be reflected in the final grade.

2.1.1 Assessment criteria

The following overall criteria were applied when assessing the actions taken by each addressee under each sub-recommendation:

- **Content/substance**: in order to assess whether the addressee has complied with all of the requirements set out in each sub-recommendation.
- **Effect/appropriateness**: in order to assess how actions taken by the addressee have contributed to the achievement of the objective of each sub-recommendation. In other words, this criterion makes it possible to evaluate the effectiveness of measures taken by the addressee given the particular situation in its jurisdiction. Accordingly, the principle of proportionality is taken into consideration.

The Assessment Team agreed on the criteria that should be applied in the assessment of each sub-recommendation and the weights allocated to those criteria. For some sub-recommendations only one of the above-mentioned criteria was considered to be relevant and appropriate; for others, it was both.[11]

Where the addressee had taken no action in response to a sub-recommendation, the Assessment Team looked at whether the justification given for that inaction was sufficient or insufficient.

2.1.2 Grading methodology

In order to assign a single grade to each addressee, a four-step grading methodology was employed. This methodology was necessary to ensure full transparency as regards the overall compliance grade and to guarantee a high level of objectivity throughout the assessment process. At the same time, the process still allowed for high-level expert judgement, which could easily be identified and reviewed, so as to understand the rationale for certain overall grades.

[11] Full details of the assessment criteria used to evaluate the implementation of the Recommendation can be found in Annex II.

Step I – At the level of each sub-recommendation, each criterion (content/substance and effect/appropriateness) was first assessed and graded in terms of the action (FC, LC, PC, MN or NC) or inaction (SE or IE) by the addressee (see Table 1).

Table 1 – Grading scale[12]

Grading scale for action	
Fully compliant (FC)	The addressee complies entirely with the requirements.
Largely compliant (LC)	Requirements have been met almost entirely and only negligible requirements remain to be implemented.
Partially compliant (PC)	The most important requirements have been met; certain deficiencies affect the adequacy of the implementation, without resulting in a situation where the given recommendation has not been acted upon.
Materially non-compliant (MC)	Requirements have been fulfilled to a degree, resulting in a significant deficiency in the implementation.
Non-compliant (NC)	Almost none of the requirements have been met, even if steps have been taken towards implementation.
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.
Insufficiently explained (IE)	The explanation given for the lack of implementation is not sufficient to justify the inaction.

Then, each compliance grade was converted into a numerical grade (see Table 2).

[12] Source: **Handbook on the assessment of compliance with ESRB recommendations, Revised Handbook, April 2016** (p. 13).

Table 2 – Conversion of compliance grades to numerical grades

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

Step II – Then, grades were calculated for each recommendation (A, B, C and D) as a weighted average of the grades assigned to each sub-recommendation, using pre-agreed weights (see tables indicating weighting schemes in Section 2.2 of this Report). Those weighting schemes were agreed by the members of the Assessment Team at the beginning of the assessment process and reflect the relative importance of each sub-recommendation.

Step III – Once grades had been established for each recommendation, a final overall grade was calculated for the entire Recommendation using the weights assigned to those recommendations (see Table 5).[13]

Step IV – That numerical overall grade was then converted into an overall compliance grade (see Table 3).

Table 3 – Conversion of overall numerical grades to compliance grades

Numerical grade	Compliance grade
[0.90-1.00]	FC
[0.65-0.90]	LC
[0.40-0.65]	PC
[0.15-0.40]	MC
[0.00-0.15]	NC

For details of the grades assigned to the various designated authorities, see the colour-coded tables in Annex III.

[13] The grade for each recommendation is a weighted average of the numerical grades for each sub-recommendation.

Table 4 – Colour codes for the level of compliance

Positive grades	Mid-grade	Negative grades
FC – Actions taken fully implement the recommendation		MN – Actions taken only implement a small part of the recommendation
LC – Actions taken implement almost all of the recommendation	PC – Actions taken only implement part of the recommendation	NC – Actions taken are not in line with the nature of the recommendation

2.1.3 Principle of proportionality

Following the principle of proportionality set out in the Handbook, the Assessment Team also took into account the operationalisation of the CCyB and the experience that NDAs have had with this instrument, which has only been applicable in the EU since 1 January 2016. The fairly recent implementation of the CCyB, combined with the key fact that in the majority of Member States the recent evolution of credit has been subdued, has resulted in a fairly limited number of decisions to set positive CCyB rates. These circumstances have posed a significant challenge as regards the assessment of certain parts of the Recommendation, as there is, for instance, only one Member State with relevant experience of the reduction or release of the CCyB.

2.2 Weights

At an early stage of the assessment, the Assessment Team assigned specific weights to each assessment criterion (content/substance; effect/appropriateness), **sub-recommendation and recommendation.** This ensured a high level of transparency and objectivity throughout the entire assessment process. Since, as outlined above, the assessment criteria applied to the assessment of NDAs differed from those applied to the ECB, they were also assigned different weights.

The weights assigned by the Assessment Team to recommendations A, B, C and D as regards the NDAs are shown in the table below:

Table 5 – Weights of each recommendation for the NDAs

Recommendation	Weights
A	30%
B	30%
C	20%
D	20%

As regards the ECB, owing to the fact that the SSM Regulation does not give the ECB the power to release capital buffers, the Assessment Team decided that the following sub-recommendations were not applicable to the ECB:

- sub-recommendation A(4), which relates to the principles governing the release of the buffer;
- recommendation D, which provides guidance on variables that indicate that the buffer should be maintained, reduced or fully released.

Consequently, a different weighting scheme was applied in order to calculate the overall grade.

The weights assigned to each recommendation in order to calculate the overall grade for the ECB are displayed in the table below:

Table 6 – Weights of each recommendation for the ECB

Recommendation	**Weights**
A	40%
B	30%
C	30%
D	Not applicable

In both cases – i.e. for both the NDAs and the ECB – some sub-recommendations were assigned a 0% weighting. The Assessment Team opted for this while at the same time adhering to the core principles of fairness, consistency, transparency, efficiency and appropriateness, as laid down in the Handbook. As individual sub-recommendations are closely interlinked and to some extent even overlap, this also proved helpful in minimising double-counting. Furthermore, where one sub-recommendation takes the implementation of another sub-recommendation as a precondition, grading those two sub-recommendations independently of each other and assigning positive weights to both would be both cumbersome and inefficient. For example (and as discussed in detail below), sub-recommendation B(1) – calculation of the standardised credit-to-GDP gap – is a precondition for the calculation of the buffer rate as laid down in sub-recommendation B(3)(a). Hence, the grade for sub-recommendation B(3)(a) will implicitly cover sub-recommendation B(1) as well. Lastly, and no less importantly, two of the sub-recommendations (sub-recommendations B(2) and B(4)) are optional – i.e. they need only be adhered to if the designated authority sees a reason to deviate from the standard procedures. Assigning a weight to the optional parts would therefore result in an underweighting of the mandatory parts where the optional parts are not applicable. Moreover, it would not allow for easy comparability of compliance across the frameworks of all 28 Member States, and with this in mind the Assessment Team opted to assign 0% weights to the relevant sub-recommendations. Overall, these considerations concern a total of seven sub-recommendations – B(1), B(2), B(4), B(6), C(1), D(1) and D(3) – which are detailed in the following sections. The Assessment Team ensured that the spirit of these sub-recommendations was always graded in the context of other sub-recommendations and thus reflected in the final compliance grade.

Recommendation A

For the NDAs, the Assessment Team decided to assign a significant weight to sub-recommendation A(1), meaning that the grading of sub-recommendation A(1) has a strong influence on the overall score for recommendation A.

Table 7 – Weights of each sub-recommendation for the NDAs

	Weights of each sub-recommendation	Weights of the criteria in each sub-recommendation	
A(1)	30%	Content/substance	100%
		Effect/appropriateness	n.a.
A(2)	15%	Content/substance	100%
		Effect/appropriateness	n.a.
A(3)	5%	Content/substance	60%
		Effect/appropriateness	40%
A(4)	20%	Content/substance	20%
		Effect/appropriateness	80%
A(5)	10%	Content/substance	100%
		Effect/appropriateness	n.a.
A(6)	10%	Content/substance	60%
		Effect/appropriateness	40%
A(7)	10%	Content/substance	n.a.
		Effect/appropriateness	100%
	100%		

For the ECB, sub-recommendations A(1) and A(2) are assigned significant weights relative to the other applicable sub-recommendations in recommendation A.

Table 8 – Weights of each sub-recommendation for the ECB

	Weights of each sub-recommendation	Weights of the criteria in each sub-recommendation	
A(1)	30%	Content/substance	100%
		Effect/appropriateness	n.a.
A(2)	30%	Content/substance	100%
		Effect/appropriateness	n.a.
A(3)	10%	Content/substance	60%
		Effect/appropriateness	40%
A(4)	n.a.	Content/substance	n.a.
		Effect/appropriateness	n.a.
A(5)	10%	Content/substance	100%
		Effect/appropriateness	n.a.
A(6)	10%	Content/substance	60%
		Effect/appropriateness	40%
A(7)	10%	Content/substance	n.a.
		Effect/appropriateness	100%
	100%		

Recommendation B

As already outlined above, some of the sub-recommendations in recommendation B were assigned a 0% weight. The reasons for those decisions are detailed below.

- Sub-recommendation B(1) is closely linked to sub-recommendation A(2). Moreover, sub-recommendation B(3)(a) recommends the calculation of a benchmark buffer rate on the basis of the standardised credit-to-GDP gap as described in sub-recommendation B(1). Consequently, sub-recommendation B(1) does not need to be graded separately, as calculation of the standardised credit-to-GDP gap is a mandatory precondition for calculating the buffer rate. The grading of sub-recommendation B(3) can therefore take this into account. In order to minimise double-counting during the evaluation, this sub-recommendation has been given a weight of 0%.
- Sub-recommendation B(2) is optional. Nevertheless, and despite it being given a weight of 0%, the Assessment Team regards this sub-recommendation as important, as it allows national specificities to be taken into account.
- Sub-recommendation B(4) is optional. Nevertheless, the Assessment Team regards this sub-recommendation as important, as it allows national specificities to be taken into account.
- Sub-recommendation B(6) is not optional, but the compliance grade for this sub-recommendation is dependent on the actions outlined in respect of optional sub-recommendations B(2) and B(4). In principle, it could be argued that this sub-recommendation is not strictly needed because non-compliance with sub-recommendations B(6)(a) and B(6)(b) would automatically require an explanation. In order to remain consistent and apply the same set of rules to all designated authorities, the weight for this sub-recommendation has been set at 0%.

Table 9 – Weights of each sub-recommendation for the NDAs

	Weights of each sub-recommendation	Weights of the criteria in each sub-recommendation	
B(1)	0%	Content/substance	100%
		Effect/appropriateness	n.a.
B(2)	0%	Content/substance	100%
		Effect/appropriateness	n.a.
B(3)	50%	Content/substance	100%
		Effect/appropriateness	n.a.
B(4)	0%	Content/substance	100%
		Effect/appropriateness	n.a.
B(5)	50%	Content/substance	100%
		Effect/appropriateness	n.a.
B(6)	0%	Content/substance	100%
		Effect/appropriateness	n.a.
	100%		

The ECB is subject to a different weighting scheme for recommendation B:

Table 10 – Weights of each sub-recommendation for the ECB

	Weights of each sub-recommendation	Weights of the criteria in each sub-recommendation	
B(1)	0%	Content/substance	100%
		Effect/appropriateness	n.a.
B(2)	0%	Content/substance	100%
		Effect/appropriateness	n.a.
B(3)	80%	Content/substance	100%
		Effect/appropriateness	n.a.
B(4)	0%	Content/substance	100%
		Effect/appropriateness	n.a.
B(5)	20%	Content/substance	100%
		Effect/appropriateness	n.a.
B(6)	0%	Content/substance	100%
		Effect/appropriateness	n.a.
	100%		

Recommendation C

As regards recommendation C, sub-recommendation C(2) is considered to play a prominent role in ensuring the overall efficacy of the recommendation, resulting in the assignment of a significant weight. It should be noted that, in this case, the weighting scheme applied to the assessment of the NDAs does not differ from that applied to the ECB.

Sub-recommendation C(1) consists of two parts. The first part, relating to quantitative indicators, is developed further in sub-recommendation C(2), while the other part, relating to qualitative indicators, is not developed elsewhere. Choosing a weight other than 0% for sub-recommendation C(1) would lead to double-counting, as one of its two parts is developed further elsewhere. This was regarded as running counter to the criterion of appropriateness. Furthermore, both parts, as in the case of sub-recommendation D(1), are closely linked to sub-recommendation A(2). Consequently, the assessment already covers the spirit and purpose of both parts of sub-recommendation C(1). Namely, sub-recommendation C(1) is evaluated at principle level – being assigned a weight different from 0% – in sub-recommendation A(2); and as regards quantitative indicators, it is also evaluated in sub-recommendation C(2) – again, being assigned a weight different from 0%. In addition, this sub-recommendation is narrower than intended by the Recommendation in that it refers only to excessive credit growth, while sub-recommendation C(2) refers to cyclical systemic risk more generally.

Table 11 – Weights of each sub-recommendation for the NDAs and the ECB

	Weights of each sub-recommendation	Weights of the criteria in each sub-recommendation	
C(1)	0%	Content/substance	100%
		Effect/appropriateness	n.a.
C(2)	60%	Content/substance	100%
		Effect/appropriateness	n.a.
C(3)	40%	Content/substance	100%
		Effect/appropriateness	n.a.
	100%		

Recommendation D

As regards recommendation D, sub-recommendation D(2) is assigned a prominent role and therefore a larger weight. In contrast, sub-recommendations D(1) and D(3) have been assigned a 0% weight, for the reasons detailed below.

- Sub-recommendation D(1) consists of two parts. The first part, relating to quantitative indicators, is developed further in sub-recommendation D(2), while the other part, relating to qualitative indicators, is not developed elsewhere. Choosing a weight other than 0% for sub-recommendation D(1) would lead to double-counting, as one of its two parts is developed further elsewhere. This was regarded as running counter to the criterion of appropriateness. Furthermore, both parts, as in the case of sub-recommendation C(1), are closely connected to sub-recommendation A(2). Consequently, compliance with the objectives envisaged in both parts of sub-recommendation D(1) is already evaluated at principle level – being assigned a weight different from 0% – in sub-recommendation A(2); and as regards quantitative indicators, it is also evaluated in sub-recommendation D(2) – again, being assigned a weight different from 0%.
- Sub-recommendation D(3) is very general, and as it deals with the concept of expert judgement, the text itself poses substantial difficulties in terms of assessing the measurability of actions. This sub-recommendation is also closely linked to sub-recommendation A(3), which highlights the importance of being mindful when exercising judgement. Considering that sub-recommendation A(3) concerns guiding principles, it already deals with the contribution that exercising judgement makes to the overall objective of sub-recommendation D(3). For this reason, the objective of sub-recommendation D(3) is already evaluated (with a weight different from 0%) at principle level in sub-recommendation A(3).

Table 12 – Weights of each sub-recommendation for the NDAs

	Weights of each sub-recommendation	Weights of the criteria in each sub-recommendation	
D(1)	0%	Content/substance	100%
		Effect/appropriateness	n.a.
D(2)	60%	Content/substance	100%
		Effect/appropriateness	n.a.
D(3)	0%	Content/substance	n.a.
		Effect/appropriateness	100%
D(4)	40%	Content/substance	100%
		Effect/appropriateness	n.a.
	100%		

Recommendation D is not applicable to the ECB, since, as outlined above, the ECB does not have the power to release the CCyB.

3 Assessment results

3.1 Summary of assessment results

The overall results of the compliance assessment for the Recommendation point to a high degree of compliance. In particular, significant levels of compliance were observed as regards the principles guiding the setting of CCyB rates (recommendation A). Similarly, a high degree of compliance was also recorded in terms of the measurement and calculation of the credit-to-GDP gap, the benchmark buffer rate and the buffer guide (recommendation B) and variables indicating the build-up of system-wide risk associated with periods of excessive credit growth (recommendation C). When it comes to the guidance on variables that indicate that the buffer should be maintained, reduced or fully released (recommendation D), the level of compliance is presumed to be high as well, although most Member States have not yet faced a situation where they have needed to reduce the CCyB. The results of the assessment for each recommendation are summarised in the table below.

Table 13 – Assessment results of each addressee for each recommendation

	Overall grade	Recommendation A	Recommendation B	Recommendation C	Recommendation D
Weights		*30%*	*30%*	*20%*	*20%*
Austria	FC	FC	FC	LC	FC
Belgium	LC	FC	PC	LC	FC
Bulgaria	FC	FC	FC	FC	SE
Croatia	FC	FC	FC	FC	FC
Cyprus	FC	FC	FC	LC	SE
Czech Rep	FC	FC	FC	FC	FC
Denmark	FC	FC	FC	FC	FC
Estonia	FC	FC	FC	LC	SE
Finland	FC	FC	LC	FC	FC
France	FC	FC	LC	FC	FC
Germany	FC	FC	FC	LC	FC
Greece	FC	FC	FC	LC	SE
Hungary	FC	FC	FC	FC	FC
Ireland	FC	FC	FC	FC	FC
Italy	FC	FC	FC	FC	SE
Latvia	FC	FC	FC	LC	SE
Lithuania	FC	FC	FC	FC	SE
Luxembourg	FC	FC	FC	PC	FC
Malta	FC	FC	FC	LC	SE
Netherlands	FC	FC	FC	LC	FC
Poland	FC	FC	FC	FC	FC
Portugal	FC	FC	FC	FC	FC
Romania	FC	FC	FC	FC	SE
Slovakia	FC	FC	FC	LC	SE
Slovenia	LC	FC	PC	FC	SE
Spain	FC	FC	FC	FC	FC
Sweden	FC	FC	FC	FC	LC
United Kingdom	FC	FC	FC	FC	FC
	Overall grade	**Recommendation A**	**Recommendation B**	**Recommendation C**	**Recommendation D**
Weights		*40%*	*30%*	*30%*	*Not applicable*
ECB	FC	FC	FC	FC	

3.2 Assessment results for each recommendation and sub-recommendation

The aggregated results for each recommendation and sub-recommendation can be found below, together with some brief remarks on the level of implementation by addressees.

3.2.1 Recommendation A on guiding principles

Overall, the Assessment Team observed a high degree of compliance with recommendation A. All addressees were given an overall grade of fully compliant (FC). Considering that this recommendation relates to guiding principles, this finding is extremely important and provides reassurance to the Assessment Team, since it implies that the core fundamentals of CCyB operationalisation are generally followed.

On the basis of the information provided, the ECB is, in its capacity as a designated authority with the power to apply CCyB rates higher than those applied by NDAs within the SSM area, considered to be compliant with the principles set out in recommendation A to the extent that it can follow them (given the specific nature of the powers conferred on the ECB under the SSM Regulation). However, one important consideration should be borne in mind in the context of the assessment of this recommendation. Thus far, the ECB has not publicly disclosed its methodological framework for the CCyB, while its communication strategy for any future CCyB top-up will depend on the decision taken by the ECB's Governing Council at that time.

Table 14 – Assessment results for each addressee as regards recommendation A

	BE	BG	CZ	DK	DE	EE	IE	GR	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	ECB
A	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**

	BE	BG	CZ	DK	DE	EE	IE	GR	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	ECB
A1	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC
A2	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC
A3	FC	SE	FC	FC	FC	FC	FC	LC	FC	FC	FC	FC	FC	SE	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC
A4	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	FC	NA
A5	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	LC
A6	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE
A7	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC

The main issues for each sub-recommendation are highlighted below:

- **Sub-recommendation A(1): All NDAs and the ECB were considered to be fully compliant (FC).** Reflecting the text of the underlying sub-recommendation, all NDAs seem to set their CCyB rates in line with the objective of protecting the banking system against potential losses associated with a build-up of cyclical systemic risk, thereby supporting the sustainable provision of credit to the real economy throughout the financial cycle.

- **Sub-recommendation A(2): All NDAs and the ECB were considered to be fully compliant (FC).** Reflecting the text of the underlying sub-recommendation, all NDAs seem to use the credit-to-GDP gap as a common starting point, but supplement it with additional quantitative and qualitative information that helps to guide decisions on CCyB rates.

- **Sub-recommendation A(3): In spite of greater heterogeneity in terms of grades, the Assessment Team observed a high degree of compliance for all respondents.** Most addressees were found to be fully compliant (FC), with one regarded as largely compliant (LC). However, two addressees failed to periodically review the usefulness of the indicators used in setting the CCyB rate. As this was driven by the unavailability of underlying data, the inaction on the part of those two addressees was deemed to have been sufficiently explained (SE).

- **Sub-recommendation A(4): The degree of compliance was presumed to be high here as well, although most designated authorities have not yet faced a situation where they have needed to reduce the CCyB.** In most countries, this is a product of the current phase of the financial cycle, which points to the reduction of the CCyB being redundant. Underlying inaction is thus regarded as being sufficiently explained (SE). In the one instance where the release of an above-zero CCyB was reported, sub-recommendation A(4) was complied with in full, resulting in the relevant addressee being regarded as fully compliant (FC). This sub-recommendation is not applicable to the ECB.

- **Sub-recommendation A(5): The Assessment Team observed a high degree of compliance for almost all respondents.** All addressees with the exception of the ECB were regarded as fully compliant (FC) on account of their transparent and well-defined communication practices. Nevertheless, it needs to be stressed that the use of English-language communication strategies for the CCyB is highly advisable (despite it not being specifically foreseen in the Recommendation) in order to ensure that NDAs' setting of the CCyB rate is communicated to a wide audience.
- **Sub-recommendation A(6): The inaction of all NDAs was deemed to be sufficiently explained (SE).** At the time of the assessment, there was no need for designated authorities setting the CCyB to go beyond the mandatory reciprocity arrangements established by Union law.
- **Sub-recommendation A(7): All NDAs and the ECB were found to be fully compliant (FC).** As required by the underlying sub-recommendation, all designated authorities seem to use the CCyB as part of a suite of macroprudential instruments at their disposal.

3.2.2 Recommendation B on guidance on the measurement and calculation of the credit-to-GDP gap, calculation of the benchmark buffer rate and the buffer guide

Overall, the Assessment Team identified a high degree of compliance with recommendation B. All but four addressees were found to be fully compliant (FC), with two NDAs regarded as largely compliant (LC) and two considered to be partially compliant (PC).

The ECB was also deemed to have complied with this recommendation to the relevant extent, as per the powers conferred on it under the SSM Regulation. For each euro area country, the ECB calculates, in accordance with the BCBS's guidance, a standardised credit-to-GDP gap and the corresponding benchmark buffer rate, in line with the specifications set out in the annex to the Recommendation. It should be noted that the ECB has not yet published any information relating to this recommendation owing to the absence, thus far, of any (top-up) CCyB rate-setting decisions.

Table 15 – Assessment results for each addressee as regards recommendation B

	BE	BG	CZ	DK	DE	EE	IE	GR	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	ECB
B	**PC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**LC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**FC**	**PC**	**FC**	**LC**	**FC**	**FC**	**FC**

	BE	BG	CZ	DK	DE	EE	IE	GR	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	ECB
B1	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC
B2	FC	NA	FC	NA	FC	FC	FC	NA	FC	FC	FC	FC	FC	FC	FC	NA	FC	NA	NA	NA	FC	FC	FC	NA	FC	FC	NA	NA	FC
B3	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	PC	FC	FC	FC	FC	FC
B4	FC	NA	FC	NA	FC	FC	FC	NA	FC	FC	FC	FC	FC	FC	FC	NA	FC	NA	NA	NA	FC	FC	FC	FC	FC	NA	NA	NA	NA
B5	MN	FC	FC	FC	FC	FC	FC	FC	FC	PC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	PC	FC	LC	FC	FC	SE
B6	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	NA

The main issues for each sub-recommendation are highlighted below:

- **Sub-recommendation B(1): All NDAs and the ECB were found to be fully compliant (FC).** As required by the underlying sub-recommendation, all designated authorities measure and calculate a standardised credit-to-GDP gap on a quarterly basis in accordance with the BCBS's guidance.

- **Sub-recommendation B(2): All NDAs and the ECB were found to be fully compliant (FC), with the exception of a number of addressees where this sub-recommendation was deemed not applicable (NA).** Several NDAs use different measures and calculate credit-to-GDP gaps that differ from those prescribed in recommendation B(1) because they have been found to better reflect the specificities of their national economies. However, a number of NDAs do not believe that a different measurement or calculation of the credit-to-GDP gap would better reflect the specificities of their national economies. In such cases, this sub-recommendation is deemed not applicable (NA).

- **Sub-recommendation B(3): The ECB and all but one of the NDAs were found to be fully compliant (FC).** Every quarter, those NDAs calculate benchmark buffer rates in accordance with the BCBS's guidance. Only one NDA uses a calculation methodology that is substantially different from the BCBS's methodology, and that NDA is therefore regarded as partially compliant (PC).

- **Sub-recommendation B(4): All NDAs were found to be fully compliant (FC), with the exception of a number of addressees where this sub-recommendation was deemed not applicable (NA).** The fully compliant (FC) NDAs select as a buffer guide the benchmark buffer rate that best reflects the specificities of the respective national economy where they have calculated more than one benchmark buffer rate. For the remaining NDAs and the ECB, this sub-recommendation is deemed not applicable (NA).

- **Sub-recommendation B(5): The level of compliance was found to be high, albeit with slightly more variation relative to previous sub-recommendations.** Most designated authorities provide a large set of information (including credit-to-GDP gaps, benchmark buffer rates and the sources of the underlying data and other relevant metadata) when announcing the CCyB rates. However, one designated authority does not publish the standardised credit-to-GDP gap, the corresponding credit-to-GDP ratio or the buffer guide. As a result, it has been found to be materially non-compliant (MN). Two other NDAs have been found to be partially compliant (PC), because they do not publish the benchmark buffer rate calculated on the basis of the additional credit-to-GDP gap or because they do not publish the standardised credit-to-GDP gap or the corresponding benchmark buffer rate.

- **Sub-recommendation B(6): All addressees were found to be fully compliant (FC), with the exception of the ECB (to which that sub-recommendation does not apply).**

3.2.3 Recommendation C on guidance on variables that indicate the build-up of system-wide risk associated with periods of excessive credit growth

Overall, the Assessment Team identified a high degree of compliance with recommendation C, albeit somewhat lower than for the other recommendations. Compared with the other recommendations, there were a large number of cases where NDAs were found to be largely compliant (LC), rather than fully compliant (FC).

It is assumed that the ECB would comply with recommendation C in the event of any exercising of its power to top up a CCyB rate set by an NDA. However, it should be noted that the guidance set out in this recommendation has not yet resulted in a CCyB rate-setting decision by the ECB. Consequently, none of the variables listed in this recommendation has been published.

Table 16 – Assessment results for each addressee as regards recommendation C

	BE	BG	CZ	DK	DE	EE	IE	GR	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	ECB
C	**LC**	**FC**	**FC**	**FC**	**LC**	**LC**	**FC**	**LC**	**FC**	**FC**	**FC**	**FC**	**LC**	**LC**	**FC**	**PC**	**FC**	**LC**	**LC**	**LC**	**FC**	**FC**	**FC**	**FC**	**LC**	**FC**	**FC**	**FC**	**FC**

	BE	BG	CZ	DK	DE	EE	IE	GR	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	ECB
C1	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC
C2	LC	FC	FC	FC	LC	LC	FC	LC	FC	FC	FC	FC	LC	LC	FC	FC	FC	LC	LC	LC	FC	FC	FC	FC	LC	FC	FC	FC	FC
C3	LC	FC	FC	FC	FC	FC	LC	FC	FC	LC	LC	FC	FC	FC	FC	NC	FC	FC	LC	LC	LC	FC	FC	LC	LC	FC	FC	FC	SE

The main issues for each sub-recommendation are highlighted below:

- **Sub-recommendation C(1): All NDAs and the ECB were found to be fully compliant (FC).** In particular, all NDAs look at a range of quantitative and qualitative information that goes beyond the credit-to-GDP gap in order to inform their judgement as to the appropriate CCyB rate.

- **Sub-recommendation C(2): The number of largely compliant (LC) NDAs was higher for this sub-recommendation than for any other sub-recommendation.** This sub-recommendation identifies a number of variables that indicate the build-up of cyclical systemic risks and should be monitored. However, the NDAs have different views as to which variables are the most relevant for their respective countries, which helps to explain the deviation from the suggested list.

- **Sub-recommendation C(3): The extent to which addressees publish the variables suggested in sub-recommendation C(2) was found to be high, although it varied across countries.** To some extent, NDAs that were largely compliant (LC) with sub-recommendation

C(2) were also found to be largely compliant (LC) with sub-recommendation C(3). However, in some instances where NDAs monitored all of the variables suggested in sub-recommendation C(2), some elements of the indicators were not published or were published less frequently than required. One NDA has been found to be non-compliant (NC).

3.2.4 Recommendation D on guidance on variables that indicate that the buffer should be maintained, reduced or fully released

Overall, the degree of compliance with recommendation D is presumed to be high for all NDAs, although most of them have not yet faced a situation where they have needed to reduce the CCyB. The majority of addressees are regarded as fully compliant (FC), with one considered to be largely compliant (LC). In the absence of any need to maintain, reduce or fully release the CCyB, the remaining addressees' inaction was graded sufficiently explained (SE).

Recommendation D is not applicable to the ECB, given that, on account of its powers under the SSM Regulation, it can only decide on macroprudential measures stricter than those adopted by the NDAs. Consequently, the ECB cannot take any decisions resulting in the maintenance, reduction or full release of a CCyB set within the euro area.

Table 17 – Assessment results for each addressee as regards recommendation D

	BE	BG	CZ	DK	DE	EE	IE	GR	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	ECB
D	**FC**	**SE**	**FC**	**FC**	**FC**	**SE**	**FC**	**SE**	**FC**	**FC**	**FC**	**SE**	**SE**	**SE**	**SE**	**FC**	**FC**	**SE**	**FC**	**FC**	**FC**	**FC**	**SE**	**SE**	**SE**	**FC**	**LC**	**FC**	NA

	BE	BG	CZ	DK	DE	EE	IE	GR	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	ECB
D1	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	NA
D2	FC	SE	FC	FC	FC	SE	FC	SE	FC	FC	FC	SE	SE	SE	SE	FC	FC	SE	FC	FC	FC	FC	SE	SE	SE	FC	PC	FC	NA
D3	FC	SE	SE	SE	FC	FC	SE	SE	SE	FC	SE	SE	FC	FC	FC	SE	FC	FC	FC	SE	SE	FC	SE	FC	SE	FC	FC	FC	NA
D4	SE	SE	SE	FC	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	FC	SE	FC	FC	SE	SE	SE	SE	SE	FC	SE	FC	NA

The main issues for each sub-recommendation are highlighted below:

- **Sub-recommendation D(1): All NDAs were considered to be fully compliant (FC).** Reflecting the text of the underlying sub-recommendation, all NDAs seem to take account of a range of quantitative and qualitative information that indicates that the buffer should be maintained, reduced or fully released.
- **Sub-recommendations D(2), D(3) and D(4): Despite greater heterogeneity in terms of grades, the Assessment Team still found a high degree of compliance.** For sub-recommendation D(2), the majority of NDAs were found to be fully compliant (FC), and some were regarded as having sufficiently explained (SE) their inaction for the reasons mentioned above. One NDA was found to be partially compliant (PC) with sub-recommendation D(2) on account of insufficient monitoring measures indicating general systemic stress. As sub-recommendations D(3) and D(4) require additional actions beyond those set out in sub-recommendation D(2), the number of NDAs characterised by inaction as regards these two sub-recommendations increases.

Overall conclusions

This assessment of the Recommendation has been carried out on the basis of the operationalisation of the CCyB and the experience that has been gained with this macroprudential instrument, which, under CRD IV, has only been applicable in the EU since 1 January 2016. The fairly recent implementation of the CCyB, combined with the key fact that in the majority of Member States the recent evolution of credit has been subdued, resulted in a situation where, at the time of the evaluation performed by the Assessment Team, there had been a fairly limited number of decisions to set positive CCyB rates. This backdrop has posed a significant challenge as regards the assessment of certain parts of the Recommendation, as there is, for instance, only one addressee with relevant experience of the reduction or release of the CCyB.

The assessment exercise has covered the operationalisation of the CCyB framework by NDAs in all EU Member States, as well as by the ECB. It should be noted that the ECB is also an addressee of the Recommendation on account of its macroprudential remit as laid down in Article 5 of the SSM Regulation, whereby it can object to and eventually increase CCyB rates proposed and set by the NDAs of Member States participating in the SSM.

The assessment reveals that, overall, addressees have achieved a timely and comprehensive operationalisation of the CCyB, thereby establishing a framework for countering future adverse cyclical credit risk developments. The results of this compliance assessment for the Recommendation point to a high degree of compliance, particularly as regards the principles guiding the setting of CCyB rates (recommendation A). Similarly, a high degree of compliance has also been achieved in terms of the measurement and calculation of the credit-to-GDP gap, the benchmark buffer rate and the buffer guide (recommendation B) and variables which indicate the build-up of system-wide risk associated with periods of excessive credit growth (recommendation C). The level of compliance is presumed to be also high as regards the guidance on variables that indicate that the buffer should be maintained, reduced or fully released (recommendation D), although, with one exception, NDAs have not yet faced a situation where they have needed to reduce the CCyB.

Notwithstanding the positive outcome of this assessment, designated authorities are encouraged to take further steps to enhance their general compliance with the Recommendation – for instance, as regards the monitoring of variables in order to inform the maintenance or reduction of the CCyB, methodologies for the analysis of cyclical systemic risks, the publication of data accompanying quarterly announcements of CCyB rate decisions and the improvement of communication strategies.

The next ESRB follow-up assessment of the implementation of this Recommendation is scheduled to take place in three years' time.[14] In the meantime, national authorities from Member States and the ECB are expected to continue refining the operationalisation of the CCyB framework, also on the basis of the findings presented here.

[14] Section 2(3) of the Recommendation indicates that its implementation should be assessed every three years.

Annex I: Composition of the Assessment Team

Chair		
Jan	Hájek	Česká národní banka / ECB
Members		
Graeme Stuart	Cokayne	Danmarks Nationalbank
Louise	Funch Soerensen	Formerly of Danmarks Nationalbank
Eleftheria	Georgoulea	Bank of Greece
Luis	Gutiérrez de Rozas	Banco de España
Stuart	Manning	Bank of England
Diego	Moccero	ECB
Paula	Oliveira	Formerly of the ECB
Peter	Welz	ECB
Alina	Zaharia	Banca Naţională a României
ESRB Secretariat		
Anna	Dobrzańska	Formerly of the ESRB Secretariat (Secretary)
Tiago	Páscoa	ESRB Secretariat (Secretary)
Petranda	Mansour	Formerly of the ESRB Secretariat
Margaux	Morganti	Formerly of the ESRB Secretariat
Marina	Orilia	Formerly of the ESRB Secretariat
Konstantinos	Paxivanakis	ESRB Secretariat
Gilda Sophie	Prestipino	Formerly of the ESRB Secretariat

Annex II: Implementation standards

Sub-recommendation A(1)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	Decisions on the appropriate CCyB rate are clearly guided by the tool's objective defined in Principle 1 of Recommendation ESRB/2014/1.	
LC	Decisions on the appropriate CCyB rate are for the most part guided by the tool's objective defined in Principle 1 of the Recommendation ESRB/2014/1. There is also another objective which plays a minor role in the decision-making of the designated authority.	
PC	N/A	
MN	Decisions on the appropriate CCyB rate are guided partly by the tool's objective defined in Principle 1 of Recommendation ESRB/2014/1. However, there is another objective which plays a major role in the decision-making of the designated authority.	
NC	Decisions on the appropriate CCyB rate are not guided by the tool's objective defined in Principle 1 of Recommendation ESRB/2014/1 at all.	
SE	1. Adequate justification has been provided for not guiding decisions on the appropriate CCyB rate by the tool's objective, also on the basis of the principle of proportionality. 2. A commitment has been made to guide decisions on the appropriate CCyB rate by the tool's objective defined in Principle 1 of Recommendation ESRB/2014/1.	
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	

Sub-recommendation A(2)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	1. The credit-to-GDP gap serves explicitly as a common starting point in guiding decisions on CCyB rates, most notably in the build-up phase. 2. Designated authority also takes into account other quantitative and qualitative information when setting the CCyB rate (which reflects national specificities). 3. Designated authority explains in detail to the public what information is used and how it is taken into account when setting relevant rate (applicable to the ECB only in the event of exercising a top-up measure).	
LC	1. The credit-to-GDP gap serves implicitly as a common starting point in guiding decisions on CCyB rates. 2. The designated authority also takes into account other quantitative and qualitative information when setting the CCyB rate (which reflects national specificities). 3. The designated authority explains to the public what information is used but not how it is taken into account when setting relevant rate (applicable to the ECB only in the event of exercising a top-up measure).	
PC	1. The credit-to-GDP gap serves implicitly as a common starting point in guiding decisions on CCyB rates. 2. The designated authority takes into account either qualitative or quantitative indicators. 3. The designated authority explains to the public what information is used but not how it is taken into account when setting relevant rate (applicable to the ECB only in the event of exercising a top-up measure).	
MN	N/A	
NC	1. The credit-to-GDP gap does not serve as a common starting point in guiding decisions on CCyB rates. 2. The designated authority does not take into account other quantitative and qualitative information when setting the CCyB rate. 3. The designated authority does not explain to the public what information is used or how it is taken into account (applicable to the ECB only in the event of exercising a top-up measure).	
SE	1. Adequate justification has been provided for: (a) not using credit-to-GDP gap or any other quantitative or qualitative information when setting the CCyB rate; (b) not explaining to the public what information is used or how it is taken into account. 2. A commitment has been made to: (a) start using the information contained in these indicators; also on the basis of the principle of proportionality. (b) explain to the public what information is used and how it is taken into account.	
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	

Sub-recommendation A(3)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	1. Designated authority assesses the information in the credit-to-GDP gap and any other relevant variables or models, being mindful that the information they provide may be misleading. 2. The usefulness of these variables and models is regularly reassessed.	The designated authority takes this assessment into account when exercising its judgement regarding the sustainability of credit growth in order to set the appropriate CCyB rate.
LC	1. The designated authority assesses the information in the credit-to-GDP gap and any other relevant variables or models. 2. The usefulness of these variables and models is reassessed on an irregular basis.	The designated authority takes this assessment into account when exercising its judgement regarding the sustainability of credit growth in order to set the appropriate CCyB rate.
PC	1. The designated authority assesses the information in only one of the following indicators: a) the credit-to-GDP gap; b) other relevant variables or models (other than the credit-to-GDP gap). 2. The usefulness of these variables and models is not reassessed.	The designated authority takes this assessment into account when exercising its judgement regarding the sustainability of credit growth in order to set the appropriate CCyB rate.
MN	1. The designated authority assesses the information in some indicators which are different from the credit-to-GDP gap and other relevant variables or models. 2. The usefulness of these variables and models is not reassessed.	The designated authority does not take this assessment into account when exercising its judgement regarding the sustainability of credit growth in order to set the appropriate CCyB rate.
NC	The designated authority does not assess the information in any indicators.	N/A
SE	1. Adequate justification has been provided for: (a) not assessing information in the credit-to-GDP gap or in any other quantitative or qualitative information; (b) not reassessing periodically the usefulness of these variables or models; also on the basis of the principle of proportionality. 2. A commitment has been made to: (a) start assessing information in these variables or models, being mindful that the information they provide might be misleading; (b) reassess periodically the usefulness of these variables or models.	1. Adequate justification has been provided for not taking this assessment into account when exercising judgement regarding the sustainability of credit growth in order to set the appropriate CCyB rate, also on the basis of the principle of proportionality. 2. A commitment has been made to take into account this assessment.
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	No satisfactory explanation has been provided for inaction, also in terms of future commitment.

Sub-recommendation A(4)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	If a designated authority reduces the existing buffer rate, it also decides on an indicative period during which no increase in the buffer rate is expected.	1. The designated authority promptly releases the CCyB when risks materialise. 2. When risks do not materialise but are judged to recede, the designated authority releases the buffer gradually.
LC	If a designated authority reduces the existing buffer rate, it also decides on an indicative period during which no increase in the buffer rate is expected.	1. The designated authority releases the CCyB when risks materialise. 2. When risks do not materialise but are judged to recede, a gradual release of the buffer is considered more appropriate.
PC	If a designated authority reduces the existing buffer rate, it does not decide on an indicative period during which no increase in the buffer rate is expected.	1. The designated authority releases the CCyB when risks materialise. 2. When risks do not materialise but are judged to recede, the designated authority releases the buffer fully rather than gradually.
MN	N/A	N/A
NC	If a designated authority reduces the existing buffer rate, it does not decide on an indicative period during which no increase in the buffer rate is expected.	1. The designated authority does not release the CCyB when risks materialise. 2. When risks do not materialise but are judged to recede, the designated authority does not consider a gradual release of the buffer or its full release.
SE	1. Adequate justification has been provided for not deciding on an indicative period during which no increase in the buffer rate is expected (after reducing the existing buffer rate), also on the basis of the principle of proportionality. 2. A commitment has been made to inform on this period when reducing the existing buffer rate in future. 3. A situation where the designated authority has not made a decision to apply non-zero CCyB rate or the release phase of the CCyB framework has not occurred yet is also considered to provide sufficient explanation.	1. Adequate justification has been provided for not releasing promptly the CCyB when risks materialise or releasing gradually when risks do not materialise but recede, also on the basis of the principle of proportionality. 2. A commitment has been made to release promptly the CCyB when risks materialise and to release it gradually when risks do not materialise but recede.
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	No satisfactory explanation has been provided for inaction, also in terms of future commitment.

Sub-recommendation A(5)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	The designated authority developed a clear strategy for communicating its decisions on the CCyB. As part of the developed strategy, all of the following mechanisms or channels were established: a) a mechanism for coordinating with other designated authorities; b) a mechanism for coordinating with the ESRB; c) transparent stable processes and well-defined channels of communication to key stakeholders and the public.	
LC	The designated authority developed a general strategy for communicating its decisions on the CCyB. As part of the developed strategy, two of the following mechanisms or channels were established: a) a mechanism for coordinating with other designated authorities; b) a mechanism for coordinating with the ESRB; c) transparent stable processes and well-defined channels of communication to key stakeholders and the public.	
PC	The designated authority developed a general strategy for communicating its decisions on the CCyB. As part of the developed strategy, one of the following mechanisms or channels were established: a) a mechanism for coordinating with other designated authorities; b) a mechanism for coordinating with the ESRB; c) transparent stable processes and well-defined channels of communication to key stakeholders and the public.	
MN	N/A	
NC	The designated authority did not develop any strategy for communicating its decisions on the CCyB. None of the following mechanisms or channels of communication was established: a) a mechanism for coordinating with other designated authorities; b) a mechanism for coordinating with the ESRB; c) transparent stable processes and well-defined channels of communication to key stakeholders and the public.	
SE	1. Adequate justification has been provided for not developing a clear strategy for communicating decisions on the CCyB, and not establishing following mechanisms or channels: (a) a mechanism for coordinating with other designated authorities; (b) a mechanism for coordinating with the ESRB; (c) transparent stable processes and well-defined channels of communication to key stakeholders and the public, also on the basis of the principle of proportionality. 2. A commitment has been made to develop a clear strategy for communicating these decisions.	
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	

Sub-recommendation A(6)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	1. The designated authority recognises the countercyclical capital buffer rates applied in other Member States, in addition to the mandatory reciprocity arrangements set by Union law. 2.When not recognising a buffer rate set by the designated authority of another Member State in excess of the mandatory level, the designated authority (1) considers the cross-border implications and (2) (not applicable to the ECB) notifies all of the bodies stated in sub-recommendation A6.	When not recognising a buffer rate set by the designated authority of another Member State in excess of the mandatory level, a comprehensive analysis of the cross-border implications is conducted.
LC	When not recognising a buffer rate set by the designated authority of another Member State in excess of the mandatory level, the designated authority considers cross-border implications and (not applicable to the ECB) notifies the majority of the bodies stated in sub-recommendation A6.	When not recognising a buffer rate set by the designated authority of another Member State in excess of the mandatory level, a general analysis of the cross-border implications of not recognising a buffer rate for exposures to another Member State in excess of the mandatory level is conducted by the designated authority.
PC	When not recognising a buffer rate set by the designated authority of another Member State in excess of the mandatory level, designated authority considers the cross-border implications, but (not applicable to the ECB) does not notify any of the bodies stated in sub-recommendation A6.	When not recognising a buffer rate set by the designated authority of another Member State in excess of the mandatory level, an adequate analysis of cross-border implications of not recognising a buffer rate for exposures to another Member State in excess of the mandatory level is conducted by the designated authority.
MN	When not recognising a buffer rate set by the designated authority of another Member State in excess of the mandatory level, designated authority does not consider the cross-border implications but (not applicable to the ECB) it notifies the bodies stated in sub-recommendation A6.	Designated authority does not consider the cross-border implications of not recognising a buffer rate for exposures to another Member State in excess of the mandatory level or the analysis conducted is considered inadequate.
NC	National regulation limits the recognition of other Member States' buffer to 2.5% or when not recognising a buffer rate set by the designated authority of another Member State in excess of the mandatory level, designated authority does not consider the cross-border implications neither does it notify any of the bodies stated in sub-recommendation A6.	When not recognising a buffer rate set by the designated authority of another Member State in excess of the mandatory level, designated authority does not consider the cross-border implications of not recognising a buffer rate for exposures to another Member State in excess of the mandatory level.
SE	1. The designated authority has not encountered the need to decide for the recognition of the countercyclical capital buffer rates applied in other Member States. 2. Adequate justification has been provided for not recognising the countercyclical capital buffer rates applied in other Member States, in addition to the mandatory reciprocity arrangements set by Union law, not considering the cross-border implications and (not applicable to the ECB) not notifying any of the bodies stated in sub-recommendation A6; also on the basis of the principle of proportionality.	1. Adequate justification has been provided for: (i) not recognising the CCyB rates applied in other Member States; (ii) not considering the cross-border implications of not recognising a buffer rate for exposures to another Member State in excess of the mandatory level; also on the basis of the principle of proportionality and (iii) not notifying the bodies stated in sub-recommendation A6. 2. A commitment has been made to: (a) generally recognise the CCyB rates applied in other Member States; (b) consider cross-border implications of not recognising a buffer rate for exposures to another Member State in excess of the mandatory level. 3. The designated authority has not encountered the need to decide for the recognition or not of the countercyclical capital buffer rates applied in other Member States.
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	No satisfactory explanation has been provided for inaction, also in terms of future commitment.

Sub-recommendation A(7)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC		As a part of its macroprudential policy strategy, the designated authority considers when to use the buffer in isolation, when to use other instruments instead of the buffer and when to combine the buffer with other instruments.
LC		N/A
PC		N/A
MN		N/A
NC		The designated authority does not consider when to use the buffer in isolation, when to use other instruments instead of the buffer or when to combine the buffer with other instruments.
SE		1. Adequate justification has been provided for not considering when to use the buffer in isolation, when to use other instruments instead or when to combine the buffer with other instruments, also on the basis of the principle of proportionality. 2. A situation where the ECB has not formally exercised its CCyB rate-setting powers (i.e. the ECB has not topped up any CCyB rate decided by a NDA) is also considered to provide sufficient explanation.
IE		No satisfactory explanation has been provided for inaction, also in terms of future commitment.

Sub-recommendation B(1)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	The designated authorities have computed a standardised credit-to-GDP gap in accordance with the BCBS's guidance, as specified in Part I of the Annex of the Recommendation.	
LC	N/A	
PC	N/A	
MN	N/A	
NC	The designated authorities have not computed the standardised credit-to-GDP gap in accordance with the BCBS's guidance, as specified in Part I of the Annex of the Recommendation.	
SE	Adequate justification has been provided for not computing the standardised credit-to-GDP gap in accordance with the BCBS's guidance, as specified in Part I of the Annex of the Recommendation.	
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	

Sub-recommendation B(2)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	1. If designated authorities have deemed that a different measurement and calculation of the credit-to-GDP gap would better reflect the specificities of the country, authorities have computed an additional credit-to-GDP gap further to the standardised credit-to-GDP gap. 2. Where an alternative credit-to-GDP gap has been computed, that computation was carried out quarterly. 3. Where an alternative credit-to-GDP gap has been computed, sub-recomendation B2 (a) – (c) has been followed in its entirety.	
LC	N/A	
PC	N/A	
MN	N/A	
NC	At least one of the above three criteria has been violated.	
SE	Adequate justification has been provided for not following one or more of the above three criteria.	
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	
N/A	The designated authorities do not deem that a different measurement and calculation of the credit-to-GDP gap better reflects the specificities of the national economy.	

Sub-recommendation B(3)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	1.The designated authorities have computed the benchmark buffer rate based on the standardised credit-to-GDP gap mentioned in sub-recommendation B1 or an alternative credit-to-GDP gap as mentioned in sub-recommendation B2 in its entirety as recommended in Part II of the Annex of the Recommendation. 2. Sub-recommendation B(3) (a) - (c) has been followed in its entirety. 3. Computations have been carried out quarterly.	
LC	1. The designated authorities have computed the benchmark buffer rate based on the standardised credit-to-GDP gap mentioned in sub-recommendation B1 or an alternative credit-to-GDP gap as mentioned in sub-recommendation B2 with some minor computational deviations from Part II of the Annex of the Recommendation. 2. Sub-recommendation B(3) (a) - (c) has largely been followed. 3. Computations have been carried out quarterly.	
PC	1. The designated authorities have computed the benchmark buffer rate based on the standardised credit-to-GDP gap mentioned in sub-recommendation B1 or an alternative credit-to-GDP gap as mentioned in sub-recommendation B2 with substantial computational deviations from Part II of the Annex of the Recommendation. 2. Sub-recommendation B(3) (a) - (c) has partially been followed. 3. Computations have been carried out quarterly.	
MN	1. The designated authorities have computed the benchmark buffer rate based on the standardised credit-to-GDP gap mentioned in sub-recommendation B1 or an alternative credit-to-GDP gap as mentioned in sub-recommendation B2 but Part II of the Annex of the Recommendation has not been followed in most aspects. 2. Substantial deviations or omissions from sub-recommendation B(3) (a) - (c) but some principles similar in nature to sub-recommendation B(3) (a) - (c) have been followed. 3. Computations have not been carried out quarterly.	
NC	1.The designated authorities have not computed the benchmark buffer rate. 2. Strong deviations from sub-recommendation B(3) (a) - (c) such that the objective of these principles is missed. 3. Any existing computations have not been carried out quarterly.	
SE	Adequate justification has been provided for not computing the benchmark buffer rate as recommended in Part II of the Recommendation.	
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	

Sub-recommendation B(4)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	If designated authoritieshave calculated an alternative buffer rate following guidance in sub-recommendation B3 for a particular quarter, they should select the buffer rate that best reflects national specificities.	
LC	N/A	
PC	N/A	
MN	N/A	
NC	Although authorities have calculated an alternative buffer rate following guidance in sub-recommendation B3 for a particular quarter, they have not selected the buffer rate that best reflects national specificities.	
SE	Adequate justification has been provided for not selecting the buffer rate that best reflects national specificities.	
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	
N/A	If designated authorities have not calculated an alternative buffer rate.	

Sub-recommendation B(5)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	1. Sub-recommendation B(5) (a) - (e) has been followed in its entirety. 2. In the event of exercising a top-up measure, the ECB has published the information required by sub-recommendation B(5) (a) - (e) that was taken into account to set the higher CCyB rate and not published by the NDA.	
LC	1. Sub-recommendation B(5) (a) - (d) has been implemented with only minor deficiencies. 2. Sub-recommendation B(5) (e) is mostly fulfilled. 3. Not applicable to ECB.	
PC	1. Sub-recommendation B(5) (a) - (d) has been implemented with a number of deficiencies. 2. Fulfilment of sub-recommendation B(5) (e) is missing or incomplete. 3. The minimum requirement is that authorities publish the standardised and – if applicable – the preferred credit gap. 4. Not applicable to ECB.	
MN	1. Sub-recommendation B(5) (a) - (d) has been implemented with substantial deficiencies. 2. Fulfilment of sub-recommendation B(5) (e) is missing. 3. Not applicable to ECB.	
NC	1. The designated authorities have not published any information specified in sub-recommendation B(5) (a) - (d). 2. In the event of exercising a top-up measure, the ECB has not published any information required by sub-recommendation B(5) (a) - (e) that was taken into account to set the higher CCyB rate and not published by	
SE	A situation where the ECB has not yet topped up any CCyB rate decided by a NDA is also considered to provide sufficient explanation.	
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	

Sub-recommendation B(6)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	The designated authorities have explained their reasons for departing from the provisions in sub-recommendations B(1), B(2), B(3) and B(4).	
LC	N/A	
PC	N/A	
MN	N/A	
NC	When required, authorities have not explained their reasons for departing from the provisions at least in one of the sub-recommendations B(1), B(2), B(3) and B(4).	
SE	Adequate justification has been provided for not explaining their reasons for departing from the provisions in sub-recommendations B(1), B(2), B(3) and B(4).	
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	
N/A	The designated authorities have not departed from the provisions in sub-recommendations B(1), B(2), B(3) and B(4).	

Sub-recommendation C(1)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	The designated authority takes into account quantitative and qualitative information about excessive credit growth.	
LC	N/A	
PC	N/A	
MN	N/A	
NC	Neither quantitative nor qualitative information about excessive credit growth is taken into account by the authority.	
SE	Adequate justification has been provided for not taking account of a range of quantitative and qualitative information about excessive credit growth.	
IE	No satisfactory justification, also in terms of future commitment, has been provided.	

Sub-recommendation C(2)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	Subject to availability, the designated authority monitors at least one indicator for each indicator group in sub-recommendation C(2) (a) – (g).	
LC	Subject to availability, the designated authority monitors at least one indicator for the majority of indicator groups in sub-recommendation C(2) (a) – (g).	
PC	1. Subject to availability, the designated authority monitors at least one indicator for the minority of indicator groups in sub-recommendation C(2) (a) – (g). 2. Failure to provide explanation for not monitoring some indicator in sub-recommendation C2 (a) - (g) leads to PC grade.	
MN	N/A	
NC	The designated authority does not monitor any indicators from the indicator groups in sub-recommendation C(2) (a) – (g).	
SE	Adequate justification has been provided for those indicator groups in sub-recommendation C(2) (a) - (g) for which indicators are not monitored.	
IE	No satisfactory justification, also in terms of future commitment, has been provided for not monitoring any indicators from the indicator groups in sub-recommendation C(2) (a) - (g).	

Sub-recommendation C(3)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	1. Subject to availability and relevance, the designated authority publishes quarterly at least one indicator of each indicator group in sub-recommendation C(2) (a) – (f). An exact link to the statistical database on the website of the designated authority is acceptable if it accompanies the announcement of the CCyB rate. 2. In the event of exercising a top-up measure, the ECB has published the information required by sub-recommendation C(2) (a) - (f) that was taken into account to set the higher CCyB rate and not published by the NDA.	
LC	1. Subject to availability and relevance, the designated authority publishes at least annually at least one indicator each in the majority, i.e. more than three, of indicator groups in sub-recommendation C(2) (a) – (f). An exact link to the statistical database on the website of the designated authority is acceptable if it accompanies the announcement of the CCyB rate. 2 Not applicable to ECB.	
PC	1. Subject to availability and relevance, the designated authority publishes at least annually at least one indicator each in three of the indicator groups in sub-recommendation C(2) (a) – (f). An exact link to the statistical database on the website of the designated authority is acceptable if it accompanies the announcement of the CCyB rate. 2 Not applicable to ECB.	
MN	1. Subject to availability and relevance, the designated authority publishes eventually or less frequently than annually at least one indicator each in three of the indicator groups in sub-recommendation C(2) (a) – (f). An exact link to the statistical database on the website of the designated authority is acceptable if it accompanies the announcement of the CCyB rate. 2 Not applicable to ECB.	
NC	1. The designated authority has not published any indicators mentioned in sub-recommendation C(2) (a) - (f). 2. In the event of exercising a top-up measure, the ECB has not published any information required by sub-recommendation C(2) (a) - (f) that was taken into account to set the higher CCyB rate and not published by the NDA.	
SE	1. Adequate justification has been provided for not publishing any available and relevant indicators from the indicator groups in sub-recommendation C(2) (a) - (f). 2. A situation where the ECB has not yet topped up any CCyB rate decided by a NDA is also considered to provide sufficient explanation.	
IE	No satisfactory justification has been provided for not publishing any available and relevant indicators from the indicator groups in sub-recommendation C(2) (a) - (f).	

Sub-recommendation D(1)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	The designated authority takes into account quantitative and qualitative information.	
LC	N/A	
PC	N/A	
MN	N/A	
NC	Either quantitative or qualitative information is not taken into account by the authority.	
SE	1. Adequate justification has been provided for not taking account of a range of quantitative and qualitative information. 2. If the CCyB rate set by the designated authority stands at 0%, this grade may apply on the grounds that this sub-recommendation is not relevant.	
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	

Sub-recommendation D(2)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	Subject to availability, the designated authority monitors at least one indicator from each indicator group in sub-recommendation D(2) (a) - (b).	
LC	N/A	
PC	Subject to availability, the designated authority monitors either indicators mentioned in sub-recommendation D (2) (a) or in sub-recommendation D (2) (b).	
MN	N/A	
NC	The designated authority does not monitor any indicators from indicator groups in sub-recommendation D (2) (a) and (b).	
SE	1. Adequate justification has been provided for those indicator groups in sub-recommendation D (2) (a) - (b) which are not monitored. 2. If the CCyB rate set by the designated authority stands at 0%, this grade may apply on the grounds that this sub-recommendation is deemed not relevant.	
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	

Sub-recommendation D(3)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC		Designated authority exercises greater judgement when monitoring variables under paragraph 2.
LC		N/A
PC		N/A
MN		N/A
NC		Designated authority does not exercise greater judgement when monitoring variables under paragraph 2.
SE	1. Adequate justification has been provided for not exercising greater judgement when monitoring the variables under paragraph 2. 2. If the CCyB rate set by the designated authority stands at 0%, this grade may apply on the grounds that this sub-recommendation is not relevant.	
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	

Sub-recommendation D(4)		
Grade	Criterion	
	Content/substance	Effect/appropriateness
FC	Subject to availability and relevance, the designated authority publishes quarterly at least one indicator from each indicator group in sub-recommendation D(2) (a) - (b) . An exact link to the statistical database on the website of the designated authority is acceptable if it accompanies the announcement of the CCyB rate.	
LC	Subject to availability and relevance, the designated authority publishes at least annually at least one indicator from each indicator group in sub-recommendation D(2) (a)-(b).	
PC	Subject to availability and relevance, the designated authority publishes at least annually either indicators mentioned in sub-recommendation D (2) (a) or in sub-recommendation D (2) (b). An exact link to the statistical database on the website of the designated authority is acceptable if it accompanies the announcement of the CCyB rate.	
MN	Subject to availability and relevance, the designated authority publishes eventually or less frequently than annually either indicators mentioned in sub-recommendation D (2) (a) or in sub-recommendation D (2) (b). An exact link to the statistical database on the website of the designated authority is acceptable if it accompanies the announcement of the CCyB rate.	
NC	The designated authority has not published any indicators from indicator groups in sub-recommendation D (2) (a) and (b).	
SE	Adequate justification has been provided for not publishing any available and relevant indicators from indicator groups in sub-recommendation D (2) (a)-(b).	
IE	No satisfactory explanation has been provided for inaction, also in terms of future commitment.	

Annex III: Calculation tables

Recommendations

	Weights	BE	BG	CZ	DK	DE	EE	IE	GR	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	ECB
A		**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**
A1	0.30	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
A2	0.15	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
A3	0.05	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
A4	0.20	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	NA
A5	0.10	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.75
A6	0.10	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
A7	0.10	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
B		**0.50**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**0.75**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**0.50**	**1.00**	**0.75**	**1.00**	**1.00**	**1.00**
B1	0	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
B2	0	1.00	NA	1.00	NA	1.00	1.00	1.00	NA	1.00	1.00	1.00	1.00	1.00	1.00	1.00	NA	1.00	NA	NA	NA	1.00	1.00	1.00	NA	1.00	1.00	NA	NA	1.00
B3	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.50	1.00	1.00	1.00	1.00	1.00
B4	0	1.00	NA	1.00	NA	1.00	1.00	1.00	NA	1.00	1.00	1.00	1.00	1.00	1.00	1.00	NA	1.00	NA	NA	NA	1.00	1.00	1.00	1.00	1.00	NA	NA	NA	NA
B5	0.50	0.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.50	1.00	0.75	1.00	1.00	1.00
B6	0	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	NA
C		**0.75**	**1.00**	**1.00**	**1.00**	**0.75**	**0.75**	**1.00**	**0.75**	**1.00**	**1.00**	**1.00**	**1.00**	**0.75**	**0.75**	**1.00**	**0.50**	**1.00**	**0.75**	**0.75**	**0.75**	**1.00**	**1.00**	**1.00**	**1.00**	**0.75**	**1.00**	**1.00**	**1.00**	**1.00**
C1	0	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
C2	0.60	0.75	1.00	1.00	1.00	0.75	0.75	1.00	0.75	1.00	1.00	1.00	1.00	0.75	0.75	1.00	1.00	1.00	0.75	0.75	0.75	1.00	1.00	1.00	1.00	0.75	1.00	1.00	1.00	1.00
C3	0.40	0.75	1.00	1.00	1.00	1.00	1.00	0.75	1.00	1.00	0.75	0.75	1.00	1.00	1.00	1.00	0	1.00	1.00	0.75	0.75	0.75	1.00	1.00	0.75	0.75	1.00	1.00	1.00	1.00
D		**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**0.75**	**1.00**	NA
D1	0	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	NA
D2	0.60	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.50	1.00	NA
D3	0	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	NA
D4	0.40	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	NA

Abbreviations

Countries:

BE	Belgium	**LT**	Lithuania
BG	Bulgaria	**LU**	Luxembourg
CZ	Czech Republic	**HU**	Hungary
DK	Denmark	**MT**	Malta
DE	Germany	**NL**	Netherlands
EE	Estonia	**AT**	Austria
IE	Ireland	**PL**	Poland
GR	Greece	**PT**	Portugal
ES	Spain	**RO**	Romania
FR	France	**SI**	Slovenia
HR	Croatia	**SK**	Slovakia
IT	Italy	**FI**	Finland
CY	Cyprus	**SE**	Sweden
LV	Latvia	**UK**	United Kingdom

Compliance grades:

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

Other abbreviations:

ATC	Advisory Technical Committee (of the European Systemic Risk Board)
BCBS	Basel Committee on Banking Supervision
CCyB	countercyclical capital buffer
CRD IV	Capital Requirements Directive – Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 1)
CRR	Capital Requirements Regulation – Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1)
EBA	European Banking Authority
ECB	European Central Bank
ESRB	European Systemic Risk Board
EU	European Union
GDP	gross domestic product
NDA	national designated authority
SSM	Single Supervisory Mechanism
SSM Regulation	Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63)

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This Summary Compliance Report is based on the results of the assessment conducted by the Assessment Team and was prepared by:

Jan Hájek (Chair)
Česká národní banka / European Central Bank

Tiago Páscoa (Secretary)
ESRB Secretariat

Luis Gutiérrez de Rozas
Banco de España

Diego Moccero
European Central Bank

Marina Orilia
Formerly of the ESRB Secretariat

Konstantinos Paxivanakis
ESRB Secretariat

Gilda Sophie Prestipino
Formerly of the ESRB Secretariat

Contributions by Alexandra Morão (ESRB Secretariat) are also acknowledged.

Postal address 60640 Frankfurt am Main, Germany
Telephone +49 69 1344 0
Website **www.esrb.europa.eu**

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