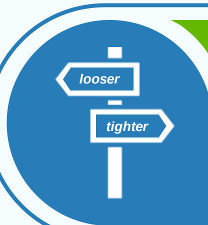
# Macroprudential policy continued to gain prominence at the European level as well as in the national policy frameworks

## Financial stability risks from climate change

- Two new EU regulations
- New taxonomy
- European Green Deal

## Concept of macroprudential stance




- Initial considerations published by the ESRB
- Operationalisation ongoing

## EU-wide stress tests

- Stress tests for CCPs and IORPs
- Liquidity requirements for investment funds
- ECA report on EBA stress test

## Changes to the ESRB's Regulation


- Clarified mandate
- Enhanced accountability
- New voting modalities

## EEA EFTA States

- EU macroprudential tools for banks now applicable in IS, LI and NO

## Change in EU legal framework for banks

- "Banking package" adopted
- Basel III implementation ongoing

## Change in EU legal framework for non-banks

- Review of and changes to prudential rules for insurers and CCPs
- ESRB's new mandate

## National policy frameworks

- New macroprudential authority in ES
- Enhanced policy framework and tools in LT, LU and PL

## Financial stability concerns

Weak economic growth and low interest rate environment

Highly indebted public and private sectors

Strong credit growth and booming real estate markets

Business model challenges and low profitability

Foreign currency funding concerns

## Policy challenges

Data gaps for CRE

Lack of tools targeting non-financial corporations

Need for revising capital buffer policies if systemic risk buffer is used for SII risk

## Cyclical policies

Use of countercyclical capital buffers by 14 countries

Wide use of borrower-based measures for RRE

Increased use of measures targeting risk weights for RRE

Few measures for risks related to CRE and consumer credit

# Macroprudential policy for the banking sector was actively used, predominantly against cyclical risks

## Structural policies

Use of the systemic risk buffer by 17 countries in addressing a variety of risks

Wide heterogeneity in O-SII buffer-setting practices

Additional action warranted (resolution of unviable banks)

## Liquidity policies

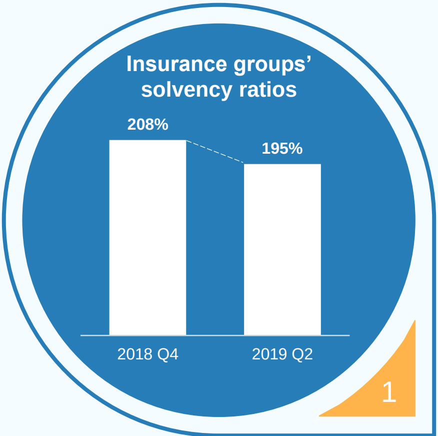
European banks hold liquid assets well in excess of the minimum required LCR

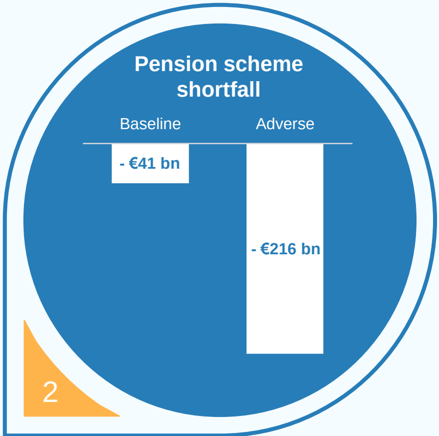
Only one country applies macroprudential measures targeting funding risks

## Cross-border policies

Active use of the ESRB's reciprocity framework

Currently no unilateral setting of a CCyB for exposures towards third countries




**Non-bank financial intermediaries play an increasingly important role, yet a comprehensive macroprudential toolkit remains unavailable**

1. Insurance groups' solvency ratios dropped in the first half of 2019
2. Pension scheme stress test shows potential asset shortfall of €216 billion
3. Investment funds and OFIs account for 39% of the financial system
4. UK's withdrawal from the EU will affect the post-trade landscape