

Box 8

Macroprudential policy and powers within the Eurosystem⁶¹

The Single Supervisory Mechanism (SSM) Regulation assigns macroprudential responsibilities to both national authorities and the ECB. According to Article 5 of the Regulation, whenever appropriate or deemed required, national authorities shall implement macroprudential measures and the ECB has the power to set higher requirements than those implemented by national authorities for the instruments covered by the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR). Following recent amendments of the CRD and the CRR,⁶² these instruments include:

- The countercyclical capital buffer (CCyB; Article 130 and Articles 135 to 140 of the CRD): this buffer is designed to increase resilience during periods of excessive credit growth and to counter procyclicality in the financial system.
- The capital buffers for global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs) (Article 131 of the CRD): the G-SII buffer is mandatory for banks identified as having global systemic importance. The O-SII buffer allows authorities to require institutions that are systemically important at the national or EU level to maintain a higher capital buffer.⁶³ When both measures are activated, the higher of them applies.
- The systemic risk buffer (SyRB; Articles 133 and 134 of the CRD): this buffer is designed to prevent and mitigate macroprudential or systemic risks not covered by the CRR or by the CCyB or G/O-SII buffers. The SyRB is a flexible instrument that can be applied to all or a sub-set of banks as well as to sectoral exposures located in the Member State that sets the buffer.
- Other macroprudential instruments included in the CRR, notably real-estate risk weights and loss given default floors (Articles 124 and 164 of the CRR), as well as various capital and liquidity-based measures, large exposure limits and disclosure requirements listed under national flexibility measures (Article 458 of the CRR).

The asymmetric nature of the powers assigned to the ECB reflects its role as a backstop to national authorities. The powers support the ECB in taking action should national authorities not implement macroprudential measures in an adequate and timely fashion. The framework embodies an expectation that national authorities will be proactive in reacting to the specific conditions being experienced in their country at any particular time. The ECB and the national authorities in the SSM engage in broad discussions on the use of macroprudential instruments, both at analytical and policy level. The discussions between the ECB and the national authorities serve to assess the adequacy of the macroprudential stance across the SSM area and not only in any one individual Member State.

The ECB's ultimate decision-making body, the Governing Council, is responsible for macroprudential policy decisions. The Governing Council works closely with the Supervisory Board on macroprudential matters and benefits from the Supervisory Board's knowledge of the banking system. The Macroprudential Forum, composed of the members of the Governing Council and the Supervisory Board, operates as a platform for regular discussion at the highest level, bringing together the micro- and the macroprudential perspectives across the SSM. The Financial Stability Committee is the European System of Central Banks' main technical committee supporting the ECB

⁶¹ See *Macroprudential Bulletin*, Issue 1 / 2016, ECB, March 2016, for a more detailed description of the macroprudential framework.

⁶² Directive (EU) 2019/878 ("CRD V") and Regulation (EU) 2019/876 ("CRR II").

⁶³ Subject to authorisation by the European Commission, the O-SII buffer can be set above 3% of the total risk exposure amount.

in the area of macroprudential policy. It includes high-level representatives from the national central banks and supervisory authorities of the SSM Member States. They meet to discuss macroprudential measures and advise the Governing Council on macroprudential concerns and potential policy responses, including the preparation of draft proposals on the use of macroprudential tools for the banking sector. The European Systemic Risk Board, on which all central banks, national supervisory authorities in the EEA, as well as relevant EU institutions are represented, looks in depth at systemic risk across the financial system and the possible ways of mitigating it at the EU level.
