

Annual Report of the National Committee for Macroprudential Oversight for the year 2018

Overview

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Risks to financial stability are on the rise worldwide, in Europe as well as at a national level. The uncertainties surrounding economic and financial developments have remained high globally, and in many cases the macroprudential authorities' response consisted in the implementation of new safety measures that may be resorted to in the event of risks materialising. At EU level, the tightening trend of macroprudential policy continued throughout 2018. Most Member States implemented restrictive measures that address in particular cyclical systemic risks or vulnerabilities from the real estate sector. In line with the recommendations issued by the European Systemic Risk Board (ESRB) on the build-up of capital buffers in good times, several European countries have implemented positive rates of the countercyclical capital buffer (CCyB), in a context in which the standard methodology has not pointed to clear signals of any emerging episodes of excessive credit growth. Nevertheless, the additional indicators under scrutiny, as well as the macro-financial conditions, provided sufficient arguments for the build-up of countercyclical capital buffers that may be used in case of unfavourable developments. Other macroprudential measures implemented were the instruments addressed to borrowers, i.e. debt service-to-income (DSTI) and loan-to-value (LTV) requirements, for ensuring sustainable lending growth and debtors' increased resilience to unanticipated shocks.

The macroprudential policy in Romania was in line with similar policies in many Member States. Prudential measures concerning borrowers were implemented, to simplify households' access to loans and safeguard average- and below-average income earners. During 2018, the National Committee for Macroprudential Oversight (NCMO) recommended the following: (a) to maintain the countercyclical capital buffer at 0 percent and closely monitor developments in view of identifying the build-up of sectoral vulnerabilities, (b) to maintain the systemic risk buffer at 1 or 2 percent of the total risk exposure amount and reassess its level for each credit institution, Romanian legal entity, depending on the average values over the past 12 months for the indicators on the non-performing loan ratio and the coverage ratio, and (c) to apply a buffer for other systemically important institutions (O-SIIs) equal to between 1 and 2 percent of the total risk exposure amount to a number of nine identified institutions starting 1 January 2019 (the maximum level between the systemic risk buffer and the buffer for systemically important institutions will apply).

During 2018, the NCMO issued eight recommendations to the competent authorities, covering the area of systemic risk monitoring. The 18 recommendations issued by the NCMO in the period from 2017 to December 2018 are in various stages of implementation by the respective addressees, as follows:

- 14 recommendations have been implemented by the recipient authorities
- 1 recommendation is currently being implemented
- 3 recommendations are applicable on a permanent basis, implying the preparation of regular analyses by the addressees. All three recommendations in this category were implemented by the recipients both for 2017 and for 2018.

With a view to increasing transparency of the national macroprudential authority's work towards preventing or mitigating systemic risks, the NCMO General Board decided, in its meeting of 17 December 2018, to publish on the NCMO website a list of actions taken by the addressees in order to implement the recommendations issued by the NCMO in the period from 2017 to September 2018¹. Moreover, in line with its mandate and complying with the principle of transparency and institutional accountability, the NCMO continued the communication activity 2017 through 2018, by posting press releases on its website after each meeting.

¹ <http://www.cnsmro.ro/politica-macroprudentiala/modul-de-implementare-de-catre-destinatari-a-recomandarilor-emise-de-cnsm/>