Conference co-organized by the Bank of Albania and the London School of Economics and Political Science (LSE): A brave new world? The future of banking in Emerging Europe

**Macroprudential policy and international cooperation: The (new) kids on the block**

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Head, Counsel to the Board

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Financial Stability and Macroprudential Supervision Division
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Financial stability: joint interest of home and host countries

EU-15 banks’ exposure to CESEE

Ownership of banking sector assets in selected CESEE countries

Total: 966 billion EUR
Source: BIS. 2019Q01. Data include banks in majority domestic ownership.

Note: Data refer to end-2017, except for Bulgaria (Q1/2019).
International cooperation essential to contain spillovers

**Microprudential supervision in the euro area**

Cooperation with banking supervisors in third countries
- Colleges of supervisors
- Bilateral cooperation with banking supervisors
  - Bank- and issue-specific arrangements (e.g. non-confidential ad hoc discussions, Memorandum of Understanding)
- EBA equivalence assessments of third countries
  - regulatory and supervisory framework
  - confidentiality and professional secrecy

**Macroprudential supervision in the euro area**

Cooperation/coordination within/outside the EU
- Major role of the ESRB in the EU
- Cross-border effects of macroprudential policy and reciprocity framework
- Third country monitoring: ESRB Recommendation on recognising and setting countercyclical buffer rates for exposures to third countries: Brazil, China, Hong Kong, Russia, Singapore, Switzerland, Turkey, United States of America
Macroprudential measures strengthened the Austrian banking sector

- **Reduction in foreign currency loans**
  - Recommendations, Minimum Standards, Guiding Principles
  - Foreign currency loans issued by Austrian banks in Austria and CESEE:
    - -73% since Oct. 2008 (FMA recommendation)
    - -67% since Dec. 2010 (Guiding Principles)

- **Sustainability of CESEE business models**
  - Sustainability Package 2012 (focus: local stable funding)
  - Intra-group liquidity transfers to Austrian banks in CESEE:
    - -52%

- **Strengthening capitalization**
  - Systemic Risk Buffer, Other Systemically Important Institutions Buffer
  - Common equity tier 1 (CET1) ratio of Austrian banks:
    - +8.6 percentage points

- **Sustainable real estate lending standards in Austria**
  - Quantitative Guidance
  - Minimum borrower down payment: Benchmark: 20% of loan
  - Maturity: >35 years only in exceptional cases
  - Debt servicing: Benchmark: no more than 30% to 40% of borrower's net income

Note: The percentages in the left-hand panel are exchange rate-adjusted decreases in the volume of loans in Austria (from October 2008, when the FMA issued a recommendation on foreign currency lending, to May 2019) and in CESEE (from December 2010, when the Guiding Principles were published, to June 2019).
Danke für Ihre Aufmerksamkeit
Thank you for your attention

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