



Press Release of the National Committee for Financial Stability

The ordinary meeting of the National Committee for Financial Stability (NCFS) took place on 13 December 2016.

According to its prerogatives to adopt recommendations and advisory opinions respectively, during the transitional period until the interinstitutional structure coordinating macroprudential supervision of the national financial system becomes operational (Art. 126¹ of *Government Emergency Ordinance No 99/2006 on credit institutions and capital adequacy*, as approved, amended and supplemented by *Law No. 227/2007*, as subsequently amended and supplemented), the Committee reviewed the capital buffers that may be applied to credit institutions. Moreover, the agenda of the meeting included topics such as the reciprocation of macroprudential policy measures adopted by other Member States and the materiality assessment of third countries for the Romanian banking sector in terms of recognising and setting countercyclical buffer rates.

I. As regards capital buffers, the NCFS adopted Recommendation No 3/13 December 2016, whereby it recommends the National Bank of Romania, in its capacity as competent authority, to take the following actions in relation to credit institutions:

a) to maintain the countercyclical capital buffer at 0 (zero) percent

This recommendation has in view the fact that developments in private sector credit and leverage currently¹ reveal no significant pressures in terms of private sector indebtedness.

b) to apply a buffer of 1 percent of the total risk exposure amount for all credit institutions identified as systemically important

The credit institutions identified as systemically important according to the methodology harmonised with the provisions of the *EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)*, based on data reported at end-June 2016, are: Banca Comercială Română S.A. (consolidated level), BRD - Groupe Société Générale S.A. (consolidated level), UniCredit Bank S.A. (consolidated level), Raiffeisen Bank S.A. (consolidated level), Alpha Bank România S.A. (individual level), Bancpost S.A. (individual level), Piraeus Bank S.A. (individual level), Banca Transilvania S.A. (consolidated level), CEC Bank S.A. (individual level), Garanti Bank S.A. (individual level) and OTP Bank S.A. (consolidated level).

¹ Based on data available at 30 June 2016

c) to deactivate the systemic risk buffer

In light of the favourable macroeconomic and financial conditions, as well as the reduction in contagion risks via the external channel, the National Bank of Romania is recommended to deactivate the 1 percent systemic risk buffer starting 1 March 2017.

The use of these macroprudential instruments is not expected to imply any capital contribution, at the moment, for credit institutions in Romania, considering the sizeable own reserves already in place, which cover to a sufficient extent the capital requirements applicable in 2017.

II. As regards the reciprocation of macroprudential policy measures adopted by other Member States, the NCFS has decided as follows:

- not to apply through voluntary reciprocity the macroprudential policy measure adopted by Estonia (setting the systemic risk buffer rate at 1 percent, applicable to all exposures located in Estonia – *Recommendation ESRB/2016/4*), given that credit institutions in Romania have non-material exposures to this jurisdiction;
- since, at the moment, in Romania there is no designated authority for the purposes of Article 458 of *Regulation (EU) No 575/2013* (CRR) and the voluntary reciprocation of the macroprudential policy measure adopted by Belgium (a 5-percentage-point risk-weight add-on applied to Belgian mortgage loan exposures of credit institutions using the internal-ratings based approach – *Recommendation ESRB/2016/3*) may be carried out solely pursuant to Article 458 of the CRR, a decision on this measure will be taken after the *Law on the macroprudential oversight of the national financial system* has been adopted and the National Committee for Macroprudential Oversight (NCMO) has become operational.

III. Following *Recommendation ESRB/2015/1 on recognising and setting countercyclical buffer rates for exposures to third countries*, the NCFS has determined the methodology for identifying material third countries in relation to the Romanian banking sector. In order to ensure harmonisation with the European framework, the methodology is based on the ESRB procedure and has a series of additional indicators so as to secure the robustness of results.

At this point, the assessments carried out have not found any material third country² in terms of recognising and setting countercyclical buffer rates for the Romanian banking sector.

The NCFS will periodically issue recommendations on the implementation of capital buffers in Romania. Furthermore, the National Bank of Romania will monitor on a regular basis credit institutions' exposures to EU Member States and third countries and will take the necessary measures should these exposures become material.

² Third country to which the Romanian banking sector has material exposures