



# Post Crisis Mandates for Central Banks: Regulatory and Institutional Challenges

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# Overview

- I. „Hard“ macro-prudential instruments
- II. Who has got the power to apply them?
- III. The Art of applying macro-prudential instruments
- IV. The macro-prudential network

# I. Hard macro-prudential instruments

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## 1. Elements of macro-prudential supervision

- **Systemic oversight**
  - ESRB on european level, NDA on national level
  - Cross-sectoral oversight
  - Soft instruments
- **Macro-prudential supervision**
  - ECB on european level, NDA/NCA on national level
  - so far: banking sector
  - Hard instruments

# I. Hard macro-prudential instruments

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## 2. Modes of qualification

- **Nature of risk**
  - Time dimension
  - Cross-sectoral dimension
  
- **Nature of requirement**
  - Capital
  - Liquidity
  - Other
  
- **Legal source**
  - Pillar I
  - Pillar II

# I. Hard macro-prudential instruments

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## 3. The new macro-prudential tools

### ▪ **Capital-based instruments**

- Capital conservation buffer, Art. 129 CRD IV (1/2016)
- Countercyclical buffer, Art. 130 CRD IV (1/2016)
- Buffer for G-SIIs and O-SIIs, Art. 131 CRD IV (1/2016)
- Systemic risk buffer, Art. 133 CRD IV (1/2014)
- Risk weights for real estate risks, Art. 124, 164 CRR
- More capital (Art. 97 et seq CRR)
- National flexibility measures, Art. 458 CRR

### ▪ **Liquidity-based instruments, Art. 105 CRD IV**

- Liquidity coverage ratio, Art. 412, 460 CRR (1/2015)
- Net stable funding ratio, Art. 413, 510 CRR (> 2016)
- National flexibility measures, Art. 458 CRR

→ **Still missing: quantitative limits**

- Leverage ratio; demand-based limits (LTV, LTI)

# II. Who has got the power to apply them?

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## The allocation of powers

### 1. National authorities

- Specific macro-prudential tools: NCA/NDA
  - GER: BaFin
  - RO: Central Bank
- Micro-prudential tools for macro-prudential purposes: NCA
  - GER: BaFin
  - RO: Central Bank

→ RO/GER: potential conflicts of micro- and macro objectives

→ in GER: lack of macro-economic knowledge of BaFin

# II. Who has got the power to apply them?

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## The allocation of powers

### 2. ECB

- As a rule: Parallel competences
  - „more stringent measures“ does not preclude first strike of ECB when NDA/NCA does not act at all
- No limitation on significant credit institutions
- **Limitations:**
  - within the SSM, excluding non participating member states
  - covered measures:
    - „cases specifically set out in Union Law“: excluding optional Union Law (systemic risk buffer)?
    - First strike of ECB on national flexibility measures?
  - only power to apply higher requirements

# III. The art of applying macro-prudential tools

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## Example: The countercyclical buffer

1. Operationalising objectives
2. Knowledge of the transmission channels
3. Calibration of the buffer quote
4. **The legal challenge:**
  - The construction of the CCB: no firm-specific administrative act, but normative requirement
  - Quote-setting by NCA/NDA, ECB
  - Application of the quote by credit institutions acc. to the location (jurisdiction) of relevant credit exposures → firm specific buffer
  - Nature of quote-setting?
    - relevance of qualification
    - adjudicatory or regulatory?



# IV. The macro-prudential network

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## Efficiency vs. safeguarding competences?

### 1. ESRB

- Reactive or proactive recommendations
- Integrating factor regarding the internal market

### 2. ECB

- Safeguarding ECB's power to apply macro tools
- Information is helping monetary policy

### 3. EBA

- Needing information for standard setting
- Integrating factor regarding the internal market

### 4. COM

- Integrating factor regarding the internal market
- Needing information for legislative purposes

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Thank you for your attention and  
patience!