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# Annual Report

## on Macroprudential Supervision Activity of the Financial Stability Committee 2017



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## **on Macroprudential Supervision Activity of the Financial Stability Committee 2017**

Warsaw, 2018



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# Foreword

*Ladies and Gentlemen,*

*I hereby present the consecutive report on activity of the Financial Stability Committee pursuing tasks in the area of macroprudential supervision (FSC-M), describing the Committee's work in 2017. The aim of this document is to fulfil the statutory obligation of annual presentation to the Sejm RP of information concerning the activities undertaken by the Committee. The Committee also strives to ensure the transparency of the activities undertaken, which shall strengthen its reliability as a financial safety net institution. The role of the Financial Stability Committee, as a competent authority for macroprudential supervision of the financial system in Poland, is to strengthen the resilience of the financial system and, in consequence, support the long-term and sustainable economic growth of Poland. Adequate information as well as explaining the reasons for activities undertaken by the Committee to the public should foster better understanding of mechanisms underlying the functioning of macroprudential supervision, consequently strengthening its effectiveness.*

*2017 was the second full year of the Committee's work when many important initiatives were implemented, with the purpose of supporting the stability of the financial system in our country. The beginning of the year saw the culmination of projects launched earlier with the aim of resolving the issue of FX housing loans. The package of the Committee's recommendations adopted on 13 January 2017 determined the direction of measures, desirable in terms of financial stability, aimed at stimulating the process of voluntary restructuring of the FX housing loan portfolio. The major part of the recommendations, also requiring regulatory adjustments, was implemented by their recipients, i.e. the institutions represented in the FSC. However, the process of full implementation of the recommendations is in progress and it is subject to continuous monitoring by the Committee.*

*Throughout the year, the Committee analysed risk sources for the financial system. To that end, it used results of studies presented in NBP regular reports and assessments issued by individual institutions represented in the FSC. Moreover, information concerning the developments in the credit cycle indicators was subject to evaluation on a quarterly basis, for the purposes of determining the level of the countercyclical buffer rate. On the basis of observed variables, no exposure to excessive lending had been found and the Committee recommended the Minister of Finance to maintain the countercyclical buffer rate at a level of 0%, unchanged since its introduction. In the Committee's opinion, the general assessment of risk sources for the national financial system – their structure and hierarchy – did not change significantly in 2017.*

*In the framework of measures arising from its statutory tasks, the Committee was also undertaking many issues essential in the context of systemic risk and financial stability. The Committee analysed the situation on the residential real estate market in the conditions of high activity in this market. In the Committee's opinion, the situation in the residential real estate sector in 2017 was stable, however, it was recognised that it should be subject to monitoring. The Committee also discussed benefits and costs of introducing the new minimum requirement for own funds and eligible liabilities (MREL).*

*Issues discussed during the Committee's meetings included the problem of fixed interest rates in banks' lending policy in the context of issuing opinions on the assumptions for an amendment to Recommendation S prepared by the Polish Financial Supervision Authority, related to the management of mortgage-secured credit exposures. The Committee has recognised that loans bearing so-called fixed interest rate, although favourable in many aspects, are not risk-free, both for banks and for customers, as well as for the overall financial system. The permanent element of the FSC-M activity was also the monitoring of macroprudential policy development at the European Union level as well as macroprudential measures undertaken by other EU Member States.*

*From the perspective of the Financial Stability Committee and its macroprudential policy, communication with the public and participants of the financial market is an important element of its activity. The Committee will systematically develop this form of its activity, which is substantially demonstrated by the report presented to you and the press releases after the meetings, published on the NBP website. In 2017, the dissemination of information concerning the macroprudential supervision and the implemented instruments was continued and successive analytical materials were published, based on which the Committee implemented its macroprudential policy.*

*International cooperation was also an important aspect of the Committee's work. The financial systems in the EU countries are closely interlinked, therefore, the autonomous national macroprudential policy should also take the European aspects into account. Taking into account the international obligations, in 2017 the Committee made many important decisions with the aim of implementing the recommendations of the European Systemic Risk Board related to coordination of the macroprudential policy at the EU level. The documents of the Board published last year indicate that Poland is still included in the group of countries duly implementing the principles of macroprudential supervision, which is demonstrated by the adequately high assessments in the ESRB reviews and reports.*

*Summing up the Committee's activity in 2017, I can state with satisfaction that the Committee successfully fulfilled its obligations arising from the Act. The financial system and its environment are subject to continuous changes and despite favourable conditions at the present stage, vigilance is needed for an early identification of systemic risk sources. Therefore, in the coming years, the Committee will endeavour to improve its operating methods, strengthen its position within the financial safety net and continue its contribution to maintaining financial system stability.*

*Adam Glapiński  
President of Narodowy Bank Polski  
Chairperson of the Financial Stability Committee  
for macroprudential supervision*

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# 1. Work of the Financial Stability Committee in its macroprudential capacity in 2017

## 1.1. Composition of the Committee

The Act of 5 August 2015 *on macroprudential supervision of the financial system and crisis management*<sup>1</sup> (hereinafter the Act) introduced into Poland's legal order a new dimension of regulatory policy in respect to the financial system – macroprudential supervision<sup>2</sup> – and established the suitable institutional framework for it. In accordance with Article 3(1) of the Act, the Financial Stability Committee, headed by the President of Narodowy Bank Polski, is the competent authority for macroprudential supervision.<sup>3</sup>

**The Financial Stability Committee (FSC) is a collegial body** comprising the following members:

- President of Narodowy Bank Polski – as its Chairperson,
- Minister of Finance,
- Chairman of the Polish Financial Supervision Authority (KNF),
- President of the Management Board of the Bank Guarantee Fund (BFG).

In 2017, the composition of the FSC remained unchanged and comprised the following:

- Adam Glapiński, President of NBP,
- Mateusz Morawiecki, Minister of Economic Development and Finance,
- Marek Chrzanowski, Chairman of the KNF,
- Zdzisław Sokal, President of the BFG.

## 1.2. FSC tasks

**The principal objective of the FSC, as the competent authority for macroprudential supervision (FSC-M),** was defined in the Act as “to strengthen the resilience of the financial system in the event of materialisation of systemic risk, and in consequence, to support long-term and sustainable economic growth”. In performing its statutory obligations, the Committee conducts macroprudential supervision defined as “the identification, assessment and monitoring of systemic risk (...) and actions aimed at eliminating or reducing this risk with the use of macropru-

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<sup>1</sup> Journal of Laws 2017, item 1934, uniform text.

<sup>2</sup> The terms “macroprudential supervision” and “macroprudential policy” are synonyms and are used interchangeably.

<sup>3</sup> Pursuant to the Act, the Financial Stability Committee in the same composition but headed by the Minister of Finance performs tasks related to crisis management.

dential instruments". The FSC-M is not authorised to directly affect financial market actors, which means that it cannot issue binding acts of law.

The remaining tasks of the Committee are to:

- identify financial institutions that pose a significant risk for the financial system,
- cooperate with the European Systemic Risk Board (ESRB), other EU authorities, macroprudential supervision authorities as well as international macroprudential supervision organisations,
- ensure an adequate flow of information between the members of the Committee enabling it to carry out its tasks.

The Polish legislature has left to the Committee's discretion the right to issue statements and recommendations, the so-called "soft impact" instruments.

A **statement** can be presented by the Committee when the source of systemic risk has been identified and – in the Committee's opinion – it is necessary to draw everybody's attention to the risk. A statement may contain information on the type of risk, the extent of its impact and the effects for the financial system projected by the Committee, arising from the persistence or materialisation of the risk. The list of potential addressees is broad and includes both financial safety net institutions<sup>4</sup> as well as entities of the financial system. As a statement may or may not be addressed to a specific institution and the statement's key element is information on the problem and an assessment of the situation, the Act does not involve the need to respond by the addressee.

**Recommendations** can be addressed to financial safety net institutions represented in the Committee. This instrument is applied when a systemic risk has been identified and the Committee steps in to tell specific institutions that it is necessary to take specific remedial action aimed at mitigating the risk. The Committee may indicate in a recommendation the date of the implementation of the action. The essential feature of a recommendation is the need to act by an indicated institution or to explain the lack of a response<sup>5</sup>, which remains at the discretion of the relevant addressees.

The Financial Stability Committee is also actively involved in taking measures that affect financial stability by issuing **opinions**. The issuance of an opinion by the Committee results directly from the provisions of law; an opinion is presented at the request of financial safety net institutions. For instance, at the request of the KNF, the Financial Stability Committee acting as a macroprudential authority, issues opinions on the identification of an O-SII, in accordance with Article 39 of the Act. Moreover, if KNF recommendations address the issues that may apply to

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<sup>4</sup> Financial safety net institutions include the Minister of Finance, KNF, BFG and NBP. The term "competent entities" is used in the Act to define the institutions.

<sup>5</sup> The "act or explain" mechanism.



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macroprudential supervision, the KNF issues such recommendations after consulting the Financial Stability Committee.<sup>6</sup>

### 1.3. Committee meetings and adopted resolutions

**In 2017, five meetings of the FSC-M** were held, including a special unscheduled meeting.

**The first meeting of the Financial Stability Committee in 2017 was held on 13 January** and was an unscheduled meeting convened by the President of NBP. The meeting discussed FX housing loans and concluded the 2016 work of the Committee and of the Working Group on the Risk of FX Housing Loans (GRKW) to develop an optimal solution of the issue of FX loans. Based on the proposal of the GRKW, **the Committee passed a resolution on the recommendation on the restructuring of the FX housing loans portfolio**. The FSC-M resolution contains 9 sub-recommendations addressed to the Minister of Finance (5), the KNF (3) and the Bank Guarantee Fund (1). The Committee-proposed measures aimed at developing a broad catalogue of economic stimuli that foster an acceleration of the process of voluntary restructuring of FX housing loans. The Committee also decided to extend by six months the activity of the GRKW and at the same time broadened its mandate with the task to cooperate with the addressees of the recommendation during the term of its implementation.

Standing items on the agenda **during each cyclical meeting of the Committee** were as follows:

- a systemic risk assessment based on conclusions from the questionnaire survey, in which all institutions<sup>7</sup> represented in the Committee participate,
- a resolution on the level of the countercyclical buffer rate and submission of information concerning the countercyclical buffer to the ESRB. The recommendation contained in the resolution on the countercyclical buffer was, in accordance with the Act, addressed to the Minister of Finance,
- information material entitled "Review of European macroprudential policy affairs".

**In all quarters of 2017, the Committee recommended that the countercyclical buffer rate should remain unchanged at the level of 0%, as specified in the Act.** During each cyclical meeting of the FSC-M, a representative of the Minister of Finance accepted a recommendation of the Committee and declared no need to take legislative action on the issue.

After each meeting of the FSC-M, the Committee resolutions were posted on the NBP website under the "Macroprudential supervision" tab and they included the following information<sup>8</sup>:

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<sup>6</sup> Article 137(2) of the Banking Law.

<sup>7</sup> The survey description and the systemic risk assessment and identification methodology are presented in Chapter 4 of Report on "Systemic risk – monitoring and identification".

<sup>8</sup> In accordance with the requirements laid down in Article 25 of the Act.

- the level of the applicable countercyclical buffer rate,
- the value of the countercyclical buffer guide,
- the credit to GDP ratio,
- the indicator of deviation from the long-term trend of change in the credit to GDP ratio.

After FSC-M meetings, Narodowy Bank Polski submitted the required information on the countercyclical buffer to the ESRB.

In addition to standing items on the agenda of the Committee meetings, it dealt with other issues, of which the most important ones are listed below.

**In the first quarter, at its meeting on 24 March 2017,** the Committee reviewed the progress of implementation of the recommendation on the restructuring of FX housing loans, assuming the continued monitoring, on a regular basis, the progress of work in its implementation by particular addressees. The Committee members also studied the BFG proposal concerning the approach of a resolution authority to determining the minimum requirement for own funds and eligible liabilities (MREL).

**In the second quarter, at its meeting on 2 June 2017,** the Committee studied conclusions from two reports prepared by NBP, i.e. *Financial Stability Report, June 2017* and *Report on Macroeconomic Stability of the Polish Economy*. The Committee also discussed the progress of individual addressees in the implementation of the Recommendation on the restructuring of the FX housing loans portfolio and posted a separate press release on the issue on the NBP website. The Committee members adopted the annual *Information on Activities of the Financial Stability Committee in the Area of Macroprudential Supervision in 2016*, which in accordance with the provisions of law, was submitted to the Sejm RP (the Polish Parliament). In fulfilment of its obligations related to the implementation of ESRB recommendations, the Committee approved the reporting template on measures undertaken in response to *Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures*. The committee confirmed the lack of material third countries for the Polish banking system for the purposes of reciprocity of the countercyclical buffer, identified in accordance with the *Recommendation on recognising and setting countercyclical buffer rates for exposures to third countries* (ESRB/2015/1).

**In the third quarter, at its meeting on 15 September 2017,** fulfilling its statutory responsibility, the Committee adopted the methodology of identification of financial institutions that pose a significant risk for the financial system and identified systemically relevant entities (PSI). Moreover, the FSC-M issued an opinion on the KNF-proposed draft assumptions for the amendment to Recommendation S concerning the management of mortgage-secured credit exposures. The proposed changes provide for adding to Recommendation S, among others, the rules of fixed and periodically fixed interest rate mortgage loans. The Committee supported the direction of the proposed changes, however it considered that while loans with periodically fixed interest rates

are favourable in many respects, they are not risk-free both for banks, customers and also for the whole financial system. The Committee considered that developing a code of good practices on periodically fixed interest rate loans will increase their information transparency.

**In the fourth quarter of 2017, at its meeting on 1 December 2017,** the Committee members studied conclusions from *Financial Stability Report, December 2017* prepared by the NBP. In connection with the KNF administrative procedure, the Committee issued, upon request of the KNF, decisions on the identification of O-SIIs and on the imposition of an O-SII buffer on them. The committee also analysed Poland's residential property market in the context of high activity observed on this market and found that the situation should be monitored on a regular basis. The FSC-M also reviewed the functioning of the market for covered bonds in EU countries.

**Table 1. Resolutions of the Financial Stability Committee issued in 2017**

RESOLUTION NO	TITLE OF RESOLUTION
<b>6th meeting/ 13 January 2017</b>	
14/2017	on the recommendation on the restructuring of the FX housing loans portfolio
15/2017	amending the resolution on the appointment of the Working Group on the Risk of FX Housing Loans
<b>7th meeting/ 24 March 2017</b>	
16/2017	on the level of the countercyclical buffer rate and submission of information concerning the countercyclical buffer to the European Systemic Risk Board
<b>8th meeting/ 2 June 2017</b>	
17/2017	on the level of the countercyclical buffer rate and submission of information concerning the countercyclical buffer to the European Systemic Risk Board
<b>9th meeting/ 15 September 2017</b>	
18/2017	on the level of the countercyclical buffer rate and submission of information concerning the countercyclical buffer to the European Systemic Risk Board
<b>10th meeting/ 1 December 2017</b>	
19/2017	on the level of the countercyclical buffer rate and submission of information concerning the countercyclical buffer to the European Systemic Risk Board

Source: NBP study.

## 1.4. Working groups

**Two working groups** appointed by the Financial Stability Committee were active in 2017:

- **Permanent Working Group** – a lasting element of the organisational structure plays an auxiliary function to the FSC-M, and
- **Working Group on the Risk of FX Housing Loans** – a temporary group carries out a task commissioned by the Committee.

**Permanent Working Group (SGR)**, set up in February 2016 as a cross-institutional structure, supports the work of the FSC-M on a daily basis. The group is composed of nine members: two representatives of the Ministry of Finance, two representatives of the Office of the Polish Financial Supervision Authority, two representatives of the Bank Guarantee Fund, and three representatives of Narodowy Bank Polski, including one acting as chairman of the SGR. NBP provides services to the Group, organises its meetings and prepares a substantial portion of analyses of the topics the Group deals with. The collegial nature of the Group enables smooth information sharing and also fosters cooperation and buy-in of all financial safety net institutions in the area of macroprudential policy at an early stage of work on specific projects.

The tasks assigned to the SGR include:

- 1) exchanging opinions concerning systemic risk assessment,
- 2) developing proposals of macroprudential measures,
- 3) presenting proposed macroprudential instruments,
- 4) implementing other tasks assigned by the FSC-M.

The SGR discusses macroprudential policy issues, including joint assessment of systemic risk and instruments it can apply. The group also develops analytical documents which are then presented and discussed at FSC-M meetings. The Group's meeting schedule is strictly tied with the cycle of meetings of the FSC-M. Each meeting of the Committee is preceded by at least one meeting of the SGR.

In 2017, the SGR held 12 meetings, at least two times before each FSC-M meeting, which represents a substantial increase on the 2016 figure when the Group met five times. The increase in the frequency of SGR meetings arose primarily from a multitude of analytical and research work, analytical needs of the Committee and the high degree of complexity of the subjects raised as part of macroprudential supervision. The range of issues discussed by members of the SGR reflected the issues raised during FSC-M meetings.

The Working Group on the Risk of FX Housing Loans was set up in August 2016 to draft the Committee recommendation on solutions leading to voluntary restructuring of the portfolio of FX housing loans, while preserving financial stability. The GRKW comprised nine members of high level management: two representatives of the Ministry of Finance, two representatives of the Office of the Polish Financial Supervision Authority, two representatives of the Bank Guar-

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tee Fund, and three representatives of Narodowy Bank Polski, of whom one acted as a chairman of the GRKW. NBP provided services to the Group, organising, among others, its meetings.

Originally, the group was appointed for six months, i.e. till February 2017. During the period, GRKW drafted the proposal of a recommendation on the restructuring of the FX housing loans portfolio, and it was adopted at a meeting of the FSC-M on 13 January 2017. At the same meeting, the FSC found it necessary to extend the period of GRKW's activity for another six months (till July 2017) and extended its mandate to include tasks related to cooperation with financial safety net institutions in implementing a package of recommendations and in monitoring the progress of implementation.

Eight meetings of the GRKW were held in 2017, when the group dissolved. At its first meeting in that year, the group continued to work on the final version of the proposed package of recommendations on the restructuring of the portfolio of FX housing loans. During subsequent meetings, the group analysed the progress of work of specific institutions in the implementation of the FSC-M recommendation, and also coordinated cross-institutional work in that respect. It provided the platform of rapid information sharing and was the first level of joint discussion for projected action aimed at implementing the Committee's recommendations.

Representatives of external institutions, e.g the President of the Office of Competition and Consumer Protection, representatives of consumer organisations, of selected commercial banks and of the Polish Bank Association, as well as representatives of organisations of bank customers were invited to participate in GRKW meetings. The aim of the meetings was to establish dialogue with representatives of the public and the financial market in order to sound their opinion on the FSC-M recommendation. The work of the group concluded with the FSC press release of 2 June 2017 on implementing the recommendation on FX housing loans portfolio restructuring. It described measures taken by specific addressees of the recommendation.

In connection with the implementation of the tasks assigned, at its June meeting the Committee found that GRKW's mandate had been fulfilled and the group ended its activity. Its obligations to monitor the implementation of the recommendation on the restructuring of the portfolio of FX housing loans were entrusted by the Committee to the Permanent Working Group

## 2. The role of Narodowy Bank Polski

The conduct of macroprudential supervision in Poland is based on the assumption of close cooperation of institutions of the financial safety net. At the same time, Narodowy Bank Polski carries out specific tasks aimed at supporting the work of the Financial Stability Committee in the area of macroprudential supervision. This is indicative of its significant role in the conduct of macroprudential policy in Poland.

The Act assigned the role of chairperson of the Committee for tasks related to macroprudential supervision to the President of Narodowy Bank Polski, at the same time giving him the casting vote in the event of a tie. The President of Narodowy Bank Polski also represents the Committee before external institutions.

In turn, Narodowy Bank Polski was assigned the task of providing services to the FSC-M in two areas: analytical and research support and organisational and administrative support. Such an allocation of responsibilities results from international practice as well as from NBP's long-lasting engagement and experience in conducting analyses of the financial system and of its ties with the real economy. In the current legal order, Narodowy Bank Polski acts as an analytical back office of the Financial Stability Committee in its macroprudential capacity. The resources, experience, knowledge base and analytical instruments developed at NBP serve the Committee in implementing its tasks.

The main documents which NBP is required to submit to the FSC in compliance with its statutory obligations and which were discussed by the macroprudential supervision authority in 2017 include: *Financial Stability Report* and *Report on Macroeconomic Stability of the Polish Economy*. The Committee has also been provided with access to the results of studies, analyses, reports and other NBP-prepared documents which may potentially influence the assessment of systemic risk and, at the same time, the macroprudential policy pursued. Part of analytical and research work is performed in response to the specific needs of the FSC-M.

Narodowy Bank Polski organises the Committee's work, i.e. it provides legal services, arranges the flow of information and materials and provides technical facilities. NBP provides the same services to the working groups appointed by the FSC.

Narodowy Bank Polski is also responsible for the implementation of the Committee's communication policy which is aimed, in particular, at informing of identified threats to financial stability, explaining decisions it has taken and raising awareness of macroprudential supervision and its importance. NBP operates an FSC-M website on its news service. NBP cares for the provision of relevant information to interested parties and analytical material to the public, on the basis of

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which the Committee takes its decisions and tries to ensure an adequate level of transparency of FSC policies and measures. NBP implements the disclosure obligations related to the performance of macroprudential supervision in Poland of other EU institutions and bodies.

## 3. Macroprudential supervision strategy

### 3.1. The ultimate objective of macroprudential supervision

In accordance with the definition presented in the Act, macroprudential supervision comprises *identification, assessment and monitoring of systemic risk arising in the financial system or its environment as well as undertaking measures aimed at eliminating or reducing this risk*. The proper performance of macroeconomic supervision requires the clarification of objectives to determine measures undertaken by the relevant bodies.

In 2011, the European Systemic Risk Board indicated in its *Recommendation on the macroprudential mandate of national authorities*<sup>9</sup> that the *ultimate goal of macroeconomic supervision is to contribute to the safeguard of the stability of the financial system as a whole*, in particular, by strengthening the resilience of the financial system and reducing the build-up of systemic risks, thereby ensuring a sustainable participation of the financial sector in economic growth. The objective specified in a similar way is reflected in the Polish Act on macroprudential supervision.<sup>10</sup>

Intermediate objectives constitute a more specific expression of the ultimate objective of macroeconomic supervision. Specifying intermediate objectives facilitates risk analyses in the context of the overall financial system and determines actions in the event of identification of specific risks. When intermediate objectives have been specified, macroprudential policy can be conducted in a more transparent and clear way to the public. It is also easier to select adequate instruments to achieve the defined objectives.

### 3.2. Intermediate objectives of macroprudential supervision

Respecting the ESRB recommendations and having regard to the specific nature of the Polish financial system, the Committee has adopted the following intermediate objectives of macroprudential supervision:

- mitigation of risk arising from excessive indebtedness or leverage,
- mitigation of risk arising from excessive balance-sheet mismatch of financial institutions or of the risk of illiquidity of financial markets,
- mitigation of risk arising from excessive concentration of exposures,
- mitigation of risk arising from misaligned incentives influencing the behaviour of financial institutions or their clients,
- ensuring the adequate resilience of the financial infrastructure.

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<sup>9</sup> Recommendation on the macroprudential mandate of national authorities of 22 December 2011 (ESRB/2011/3).

<sup>10</sup> Article 1(2) of the Act.



**Table 2. Intermediate objectives of macroprudential supervision towards elements of risk**

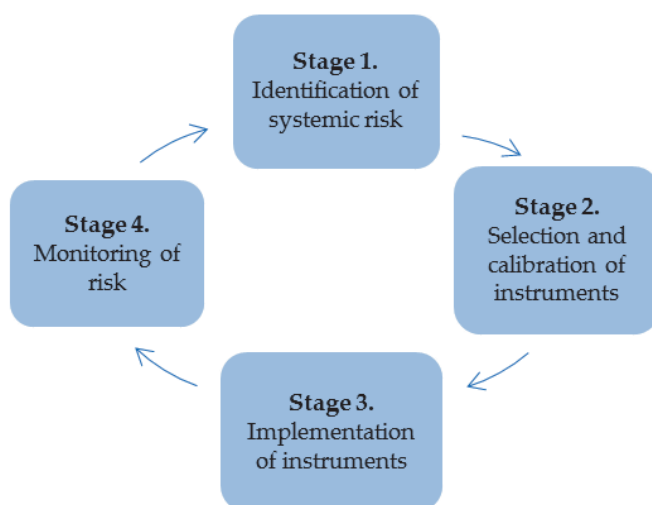
	INTERMEDIATE OBJECTIVES	RISK DESCRIPTION <sup>11</sup>
1	Mitigation of risk arising from excessive indebtedness or leverage	Risk arising from the pro-cyclical behaviour of financial institutions reflected in the credit debt cycle; this risk manifests itself, among others, in high leverage, lending growth.
2	Mitigation of risk arising from excessive balance-sheet mismatch or of the risk of illiquidity of financial markets	Risk of unstable funding arising from the structure and sources of funding and excessive funding costs.  Liquidity risk as a result of excessive maturity mismatch of assets and liabilities.  Risk of illiquidity of financial markets as a result of structural changes in financial markets.
3	Mitigation of risk arising from excessive concentration of exposures	Risk arising from large exposures to individual entities or homogenous exposure groups.  Risk of contagion in the conditions of the network of mutual exposures or interdependencies of asset prices.
4	Mitigation of risk arising from misaligned incentives influencing the behaviour of financial institutions or their clients	Excessive risk-taking by managers of financial institutions, in particular, risks related to the excessive size and complexity of financial institutions.  Risk of misaligned incentives leading to increased moral hazard among depositors or investors as a result, among others, of legal regulations concerning the protection of depositors, the inadequate resolution system for financial institutions or the lack of supervision over certain sectors.
5	Ensuring the adequate resilience of the financial infrastructure	Risk of instability of entities of the financial market infrastructure: risk of cessation of key services (e.g. payment and settlement systems and clearing houses), inappropriate institutional solutions or inadequate resilience to risk materialisation.

### 3.3. Cycle of measures

The Committee works in accordance with the cycle of macroprudential supervisions measures. This cycle comprises the four stages of measures taken by the FSC and institutions represented in it.

<sup>11</sup> This material presents a synthetic description of the risk, whereas details concerning intermediate objectives and the FSC-M macroprudential policy strategy are contained in *Macroprudential supervision in Poland (...)*, [http://www.nbp.pl/macprudentialsupervision/publikacje/Ramy\\_inst-funkc\\_en.pdf](http://www.nbp.pl/macprudentialsupervision/publikacje/Ramy_inst-funkc_en.pdf).

**Diagram 1. Cycle of macroprudential supervision measures**



**Stage 1.** covers **the identification of systemic risk in the financial system** on the basis of analyses of Narodowy Bank Polski and other institutions represented in the FSC-M. The subject of analysis is broadly defined financial system and its linkages with the real economy and external environment.

**Stage 2.** means **the selection of a specific macroprudential instrument (measure)** which will mitigate the identified systemic risk adequately. If the need to implement a macroprudential instrument arises, the FSC issues a recommendation addressed to a relevant institution represented in the FSC.

**Stage 3.** provides for the **application of measures mitigating systemic risk** via the implementation of FSC-M's recommendations. The institution is obliged to comply with the recommendations and inform the FSC-M what systemic risk-mitigating measures it intends to undertake or has undertaken or provide the reasons for the lack of expected response.

**Stage 4.** covers the **monitoring of risk, including the effectiveness of the measures** undertaken in Stage 3. The assessment of the scale of risk can form the basis for the Committee to recommend the maintenance, withdrawal or modification of the parameters of a given macroprudential instrument.

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## 4. Systemic risk – monitoring and identification

### 4.1. Methodology of systemic risk assessment and identification

#### Risk monitoring in the financial system and coordination of work of financial safety net institutions

The monitoring of systemic risk is a continuous process for which all institutions of the financial safety net are responsible. Their systematic analyses are coordinated and ideas are confronted within the SGR. During discussions at the expert level, a common risk assessment project is developed, later presented at each FSC-M regular meeting. The main tool used for structuring the debate on systemic risk is the questionnaire survey on *Systemic risk assessment by institutions of the financial safety network*, prepared and developed by NBP.<sup>12</sup>

#### Common conceptual framework used for systemic risk identification and assessment

The framework for discussions within the FSC-M is organised by a set of standardised basic terms which have been developed for use in the process of systemic risk assessment. In accordance with the conceptual framework adopted for macroprudential policy purposes, the description of a risk source consists of three key elements:

- ***Vulnerability*** – the term defines the location and substance of the source of risk and the vulnerability may be of both external and internal nature in relation to the financial system. It often assumes the nature of imbalance which may occur in the system over a longer period, without manifesting itself until the emergence of a triggering factor.
- ***Risk trigger*** – an event or phenomenon resulting in risk materialisation. This factor may assume the form of a shock originating from the financial system or its environment.
- ***Amplifiers or attenuators of risk materialisation effects*** – those elements identified in the financial system or its environment which will negatively (or positively) affect a disruption in the functioning of the market, e.g. links between risk sources, the capacity of economic operators to absorb shocks and institutional solutions.

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<sup>12</sup> The design of the survey has been described in detail in Box 1 in Information on Activities of the Financial Stability Committee in the Area of Macroprudential Supervision in 2016.

## Systemic risk identification

The identification of systemic risk sources begins, in principle, with the identification of *vulnerabilities* in the financial system. At the next stage, *triggers* are assigned to vulnerabilities and the existence of potential links between entities in the financial system is analysed, the institutional environment is assessed as well as the capacity to absorb shocks. This stage helps to indicate potential *amplifiers* and *attenuators* of the risk generated by a given source.

The sequence of the process of identification of systemic risk sources may be different. It may start with recognition of a trigger, if it is an event or a phenomenon with potentially significant systemic effects. The defined catalogue of the intermediate objectives of macroprudential policy described in Chapter 3 is useful for identifying vulnerabilities in the financial system. A detailed explanation of intermediate objectives, which takes into account the specific nature of the structure of the financial system and applicable institutional and legal solutions, indicates risks counteracted by macroprudential supervision and, at the same time, forms a description of potential vulnerabilities in the domestic financial system.

For macroeconomic policy purposes, the identification of all risk sources occurring in the financial system is not as important as the answer to the question as to which of them have systemic importance in the light of the definition contained in the Act on macroprudential supervision. Two aspects are of key importance for the assessment of intensity of a given risk source:

- assessment of consequences for the economic system (whereas the assessment of consequences should consider previously analysed amplifiers or attenuators of a risk source, e.g. the capacity to absorb shocks – capital buffers, liquidity buffers, institutional barriers);
- assessment of materialisation probability.

Taking into account both aspects of a risk source enables to assess whether the risk is of a systemic nature.

In systemic risk assessment performed by the FSC-M, a broad range of information is used, comprising analyses based on econometric models and simulations, indicators and oversight information received by the KNF. In relation to the risk to the financial sector, simulations and stress tests are an important tool.<sup>13</sup> In the remaining segments of the financial sector, risk assessment relies, to a larger extent, on the analyses of financial indicators for individual types of institutions as well as on the assessment of their role and of the significance of functions fulfilled by

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<sup>13</sup> The aim of the stress test is to assess the banking sector's response to the extremely unfavourable and highly unlikely economic scenario. Details of the tests and their results can be found in NBP's *Financial Stability Report*. The report is submitted to the FSC-M.

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those institutions in the financial system and in the economy as a whole, although it also considers the results of stress tests performed by the UKNF and European supervisory authorities.

## 4.2. Systemic risk assessment in 2017

According to the Committee, the portfolio of FX housing loans remained the most important risk source in 2017. According to the FSC-M's opinion, in economic terms the loans did not generate significant systemic risk to the stability of the financial system. However, systemic risk could emerge in the context of potential consequences of legal solutions proposed in the public debate and in the context of potential operational risk, and legal risk during a likely implementation of submitted drafts.

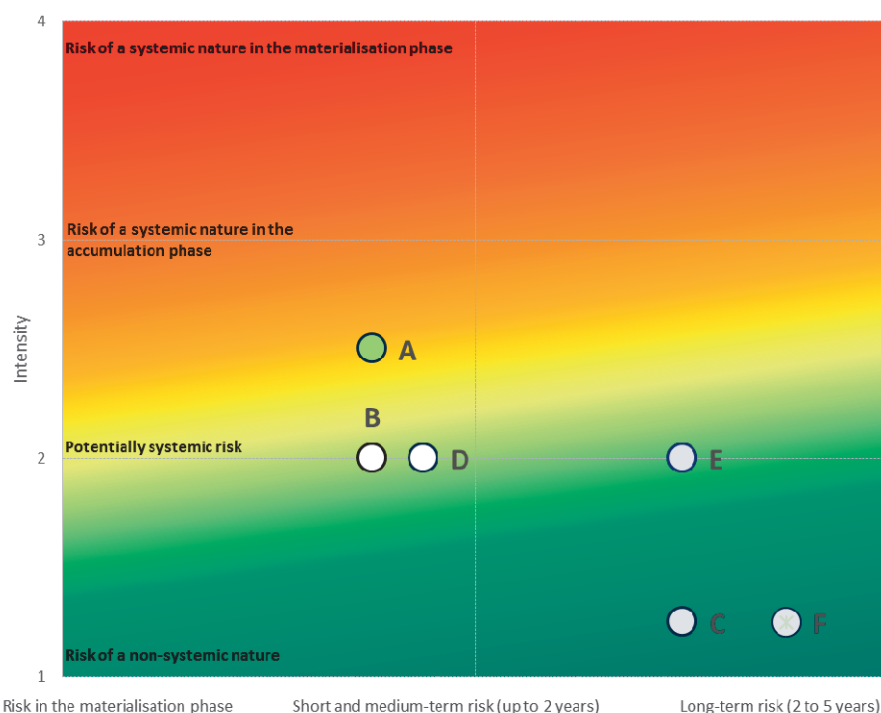
The package of recommendations on the restructuring of the portfolio of FX housing loans, issued by the FSC-M in January 2017, paved the way for a gradual reduction of FX housing loan portfolios in bank assets and of the risk they generate. Throughout the year, the risk was limited by a decrease in the value of the portfolio resulting from principal payments by borrowers and by an appreciation of the zloty against the Swiss franc. However, in the Committee's view, despite favourable developments in this area, the risk associated with the portfolio of FX housing loans remained the most significant source of a potential threat to financial stability in the whole 2017 due to the continuing legislative process concerning proposed legal solutions.

Among other risk sources in the Polish financial system – although exhibiting lower intensity – the following factors were indicated:

- **reduced bank profitability** – this limits the possibility of generating capital internally and may also hamper raising capital externally due to a decline of ROE below the cost of capital. It reduces banks' resilience to macroeconomic shocks.
- **the portfolio of zloty housing loans in the context of banks' lending policy and the all-time low level of interest rates** – in the environment of low and stable interest rates, both borrowers and lenders could have underestimated the possibility of interest rate growth in the future. Consequently, some borrowers may hold inadequate income buffers and, in the event of a growth in interest rates, their loan repayment capacity may deteriorate;
- **a difficult situation of the credit union (SKOK) sector and some cooperative banks** – arising from an ineffective and inefficient business model demonstrating a high cost-to-income ratio, high bank concentration of the loan portfolio (in some cooperative banks) or moral hazard (credit unions sector), which increases the potential of contagion through the deposit guarantee system.
- **imbalance on the commercial real estate market** – a significant prevalence of supply over demand, in particular, in the office real estate segment. The adjustment of imbalances may affect banks through credit risk in the portfolio of loans for the purchase and con-

struction of commercial real estate (the size of this portfolio is currently insignificant), as well as in the portfolio of loans to construction firms with revenue strongly dependent on the construction of commercial real estate.

**Diagram 2. The map of systemic risk assessment**



[A] the portfolio of FX housing loans

[B] reduced bank profitability

[C] imbalance on the commercial real estate market

[D] a difficult situation of the credit unions sector and some cooperative banks

[E] the portfolio of zloty housing loans with a floating interest rate in an environment of low interest rates

[F] the possibility of dynamic price growth in the residential real estate market

Source: NBP calculations.

**The Committee also analysed developments in the residential real estate market** in the context of robust activity on the market. According to the Committee, the situation on the housing market is stable but should be monitored on a regular basis.

### 4.3. Identification of Systemically Relevant Entities

The Act on macroprudential supervision imposes on the FSC the obligation to identify financial institutions that pose a significant risk to the financial system (Article 5(2) of the Act). To meet

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this requirement, the FSC has developed the method for identifying systemically relevant entities and carried out an analysis of all entities comprising the domestic financial system, including entities that make up the financial market infrastructure.<sup>14</sup>

The aim of the analysis was to identify those entities that – considering their scale of operations, the functions they play or linkages in the financial sector – are particularly relevant from the point of view of the smooth functioning of the entire financial system. It has to be emphasized that **recognising a given entity as a systemically relevant entity does not imply that it poses a risk to financial stability.**

In line with the method, a systemically relevant entity is identified by separating **relevant sectors of the financial system**. Aspects related to the scale of operations, linkages with other entities active in the market and to the substitution of their services have also been assessed. The following sectors of the financial system have been classified as relevant:

- banks,
- non-life-insurance companies,
- entities that operate securities depositories,
- entities that operate clearing houses, including clearing houses having the status of central counterparties (CCP),
- entities that operate a regulated market for trading in financial instruments,
- entities that operate large-value payment systems,
- entities that operate retail payment systems.

The Act does not specify the consequences of recognising an entity as posing a significant risk to the financial system and does not provide for the purpose and manner of using such a qualification. The FSC-M assessment in this respect does not entail any legal effects and under the applicable law and is not a condition to take any supervisory or regulatory action.

According to the interpretation of the Committee, the identification of institutions that are important for the financial system, apart from banks, is primarily aimed at helping to set priority areas of analysis and monitoring of risk, including systemic risk. Institutions recognised as systemically relevant entities and their place in systemic risk assessment for the purposes of macroprudential supervision will be the subject of further work of the Committee. At the current stage, the taking into account of systemically relevant entities is provided for in the macroprudential policy strategy designed for subsequent years. In this context, a more systematic analysis of the importance of specific sectors and entities of the financial system may prove to be particularly valuable for the Committee's future activities.

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<sup>14</sup> The FSC-M has found that not only financial institutions within the meaning of the Act generate systemic risk and adopted a broad interpretation of the provision of the Act. It has decided to include in its identification analysis not only financial institutions, but also other entities of relevance to the functioning of the financial system.

## 5. Macroprudential instruments and activities

### 5.1. Macroprudential instruments

The catalogue of macroprudential instruments whose application is regulated in the Act on macroprudential supervision comprises capital buffers, i.e.:

- conservation buffer,
- countercyclical buffer,
- systemic risk buffer,
- global systemically important institutions buffer,
- other systemically important institutions buffer

and measures provided for in the European Union regulations.<sup>15</sup>

Out of instruments listed above, the conservation buffer, the countercyclical buffer and the other systemically important institutions buffer were used in Poland in 2017. In 2017, a new instrument – the systemic risk buffer – of macroprudential supervision was also introduced.

#### 5.1.1. Conservation buffer

Banks are required to maintain the conservation buffer at a level of 2.5% of the total risk exposure amount, calculated in accordance with Article 92(3) of the CRR.<sup>16</sup> The conservation buffer is binding for all banks and the purpose of its introduction is the protection of capital. This buffer is the basic macroprudential capital surcharge, constituting the first level of securing banks' capital resources.

The Act on macroprudential supervision introduced a transitional period in the application of this buffer in Poland. In 2017, the level of the conservation buffer did not change in relation to the previous year and amounted to 1.25% of the total risk exposure amount. From 2018, the buffer rate has been increasing to the level of 1.875% to reach its target level of 2.5% in 2019.

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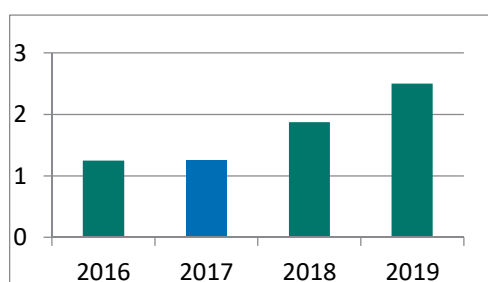
<sup>15</sup> Article 458 of Regulation of the European Parliament and of the Council (EU) no 575/2013 of 26 June 2013 on *prudential requirements for credit institutions and investment firms*, amending Regulation (EU) No 648/2012 (CRR).

<sup>16</sup> Article 19 of the Act on macroprudential supervision.



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**Figure 1. Required level of conservation buffer**



Source: NBP study.

### **5.1.2. Countercyclical buffer**

The aim of the countercyclical capital buffer is to increase the resilience of the banking system to the risk arising from the credit cycle. Cyclical changes in systemic risk are associated both with periodical easing of lending conditions and increasing the scale of risk taken, as well as with the underestimation of risk due to problems related to its measurement. The use of the countercyclical buffer to mitigate systemic risk is based on increasing required capital in the upswing phase of the credit cycle. On the other hand, the capital accumulated during the prosperity period may be released in the downturn phase of the cycle, so that banks have funds to cover potential losses. The countercyclical buffer is an instrument aimed at limiting the fluctuations resulting from credit cycle phases, which should foster the sustainable development of lending in the country.

The Financial Stability Committee calculates on a quarterly basis the value of the buffer guide<sup>17</sup>, based on which it recommends the level of the countercyclical buffer rate to the Minister of Finance. On the other hand, the Minister of Finance, taking into consideration the Committee's recommendation, assesses the level of the countercyclical buffer rate on a quarterly basis.

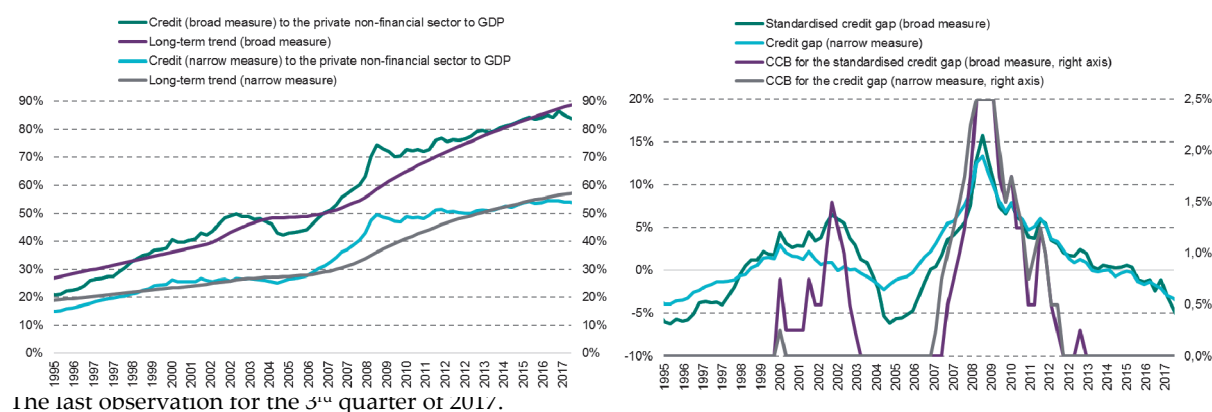
Throughout 2017, the Committee adopted resolutions on recommending the countercyclical buffer rate at a level of 0% four times. This means the lack of changes in relation to the level determined in the Act and maintaining the buffer at the same level since its introduction in 2016. The factor determining such decisions was the assessment of the Committee that the risk associated with excessive lending was low and that in such circumstances no need existed to set the countercyclical buffer rate at a level other than applicable.

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<sup>17</sup> Pursuant to Article 23 of the Act on macroprudential supervision, the buffer guide is a variable reflecting the credit cycle and the risk associated with excessive credit growth in the national economy, taking into account the specific nature of the Polish economy and its financial system.

During its meetings, the Committee reviewed analytical materials<sup>18</sup> which presented current information concerning the developments in the credit cycle indicators. Taking decisions on the recommended value of the countercyclical buffer, the FSC-M considered, among others: the credit gap (a deviation of the non-financial private sector debt to GDP<sup>19</sup> ratio from its long-term trend), the financial cycle phase in Poland as well as other indicators reflecting the systemic risk stemming from excessive growth of non-financial sector debt in Poland.

**Figure 2. Standardised credit gap and its corresponding buffer rate**



The credit cycle indicators analysed by the Committee in 2017 indicated that deviations from the long-term trend were very limited, which meant that the risk associated with credit expansion was low.<sup>20</sup> The credit gap remained negative and close to zero, which also suggested the lack of risk associated with excessive lending<sup>21</sup> (Figure 2). Both the total debt of the private non-financial sector to GDP and the debt to domestic credit institutions (banks and credit unions) were growing at a rate consistent with the long-term trend.

### 5.1.3. Global Systemically Important Institutions buffer

The identification of a global systemically important institution (G-SII) and the application of the relevant buffer remains within the competence of the Polish Financial Supervision Authority. The FSC-M issues statements regarding the KNF procedures related to the G-SII identification and the opinion concerning the identification and classification of institutions into categories determining the level of applied buffer.

<sup>18</sup>The analytical materials discussed at FSC-M meetings are available on the NBP website: <http://www.nbp.pl/macprudentialsupervision/publikacje.aspx>

<sup>19</sup> Debt of the non-financial sector is provided, taking into account issue of debt instruments by non-financial enterprises.

<sup>20</sup> The risk would be high mainly if the country remained in the expansion phase over a long period.

<sup>21</sup> In accordance with the recommendations of the Basel Committee on Banking Supervision and the European Systemic Risk Board, the setting of the countercyclical capital buffer should be considered if the value of credit gap is positive and exceeds 2%; however, it should not be the only factor taken into consideration.

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In 2017, the Polish Financial Supervision Authority did not identify global systemically important institutions on the domestic market, consequently, it did not impose the global systemically important institutions buffer.

#### **5.1.4. Other Systemically Important Institutions buffer**

The application of the other (i.e. domestic) systemically important institutions (O-SII) buffer remains within the competence of the Polish Financial Supervision Authority. It identifies other systemically important institutions and imposes O-SIIs buffers on them. While performing the assessment of bank O-SIIs, the KNF takes into consideration the guidelines of the European Banking Authority<sup>22</sup> and the recommendation of the Committee in this scope. Under this process, prior to issuing the administrative decision on recognising a bank as the O-SII, the KNF requests the FSC-M to issue an opinion concerning identification of an entity as other systemically important institution.

At the same time, the Act on macroprudential supervision imposes the obligation on the KNF to notify, through the Financial Stability Committee, relevant institutions and authorities of the European Union as well as the domestic macroprudential supervision institutions concerned of the intention to impose the other systemically important institutions buffer and the level of such a buffer rate.

#### **Review of adequacy of the buffer rate of other systemically important institution in 2017**

In August 2017, the Polish Financial Supervision Authority informed the Financial Stability Committee on launching a review of adequacy of the buffer rate of other systemically important institution and requested it to notify the intention to impose the other systemically important institutions buffer to the European Commission, the European Systemic Risk Board, the European Banking Authority and the competent authorities responsible for macroprudential supervision in the Member States concerned. The Chairperson of the FSC-M conveyed the relevant notifications.

Following the end of the review process of the O-SII buffers adequacy, the Polish Financial Supervision Authority requested the Financial Stability Committee to issue opinions regarding identified O-SIIs and buffers imposed thereon.

The requests addressed to the FSC-M in November 2017 applied to 13 banks. Compared with 2016, 11 institutions were identified again, one new institution was identified and one ceased to

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<sup>22</sup> Guidelines of the European Banking Authority of 16 December 2014 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 (EBA/GL/2014/10).

be recognised as an O-SII. Similar to the previous year, the KNF notified the intention to impose buffers ranging from 0% to 0.75% of the total risk exposure amount to identified O-SIIs.

**Table 3. Banks identified as other systemically important institutions in 2017**

Bank	Level of the O-SII buffer rate
Powszechna Kasa Oszczędności Bank Polski SA	0.75%
mBank SA	0.75%
Bank Polska Kasa Opieki SA	0.50%
Bank Zachodni WBK SA	0.50%
ING Bank Śląski SA	0.50%
Bank Handlowy w Warszawie SA	0.25%
Bank Millennium SA	0.25%
Bank BGŻ BNP Paribas SA	0.25%
Deutsche Bank Polska SA	0.25%
Getin Noble Bank SA	0.25%
Bank Polskiej Spółdzielczości S.A.	0%
SGB-Bank S.A.	0%

Source: NBP study based on KNF data.<sup>23</sup>

At its meeting on 1 December 2017, the Committee issued 13 decisions expressing a positive opinion regarding the requests filed by the KNF. The Committee's opinions were submitted to the Polish Financial Supervision Authority and the banks concerned in accordance with the procedures of the Code of Administrative Procedure. On 19 December 2017, by administrative decisions, the Polish Financial Supervision Authority identified banks presented in Table 3 as other systemically important institutions and imposed the relevant buffers on them as well as decided on exclusion of one entity from the O-SII list.<sup>24</sup>

The Polish Financial Supervision Authority informed the Financial Stability Committee of the identified O-SIIs and imposition of relevant buffers on them. At the same time, the KNF requested the FSC-M to notify this fact to the European Commission, the European Systemic Risk Board, the European Banking Authority. The Chairperson of the FSC-M sent the required notifications.

<sup>23</sup> [https://www.knf.gov.pl/knf/pl/komponenty/img/Komunikat\\_OSII\\_2017.pdf](https://www.knf.gov.pl/knf/pl/komponenty/img/Komunikat_OSII_2017.pdf)

<sup>24</sup> The decision of 4 October 2016 concerning recognising Raiffeisen Bank Polska SA as other systemically important institution and imposing a buffer of 0.25% was repealed.

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#### 5.1.5. Systemic risk buffer

The implementation of the new macroprudential instrument – the systemic risk buffer – was the fulfilment of the FSC-M recommendation of 13 January 2017 on the restructuring of the portfolio of FX housing loans. The Regulation of the Minister of Development and Finance<sup>25</sup> of 1 September 2017 on the systemic risk buffer) introduced this instrument as of 1 January 2018.

The systemic risk buffer at a level of 3% of the total risk exposure amount was imposed on domestic banks. It is applicable to all exposures located in the territory of Poland. The buffer will be maintained both at an individual institution level and at the highest domestic level of prudential consolidation.

The instrument introduced is intended to reduce long-term non-cyclical systemic risk which may trigger adverse effects for the financial system and the economy of the country. The aim of introducing this buffer in Poland was to maintain banks' resilience to negative phenomena associated with the situation in the environment of the Polish economy and possible occurrence of negative external shocks.

#### 5.1.6. Risk weights

Higher risk weights for exposures secured on mortgages on immovable property were introduced pursuant to the Regulation of the Minister of Development and Finance of 25 May 2017.<sup>26</sup> on a higher risk weight for exposures secured by mortgages on immovable properties). The provisions of this Regulation issued as a result of implementation of the FSC-M recommendation entered into force on 2 December 2017.

Higher risk weights are applied for credit exposures under the standardised approach for calculation of the capital requirement for credit risk which are included in the class of exposures secured by mortgages on immovable property and which are subject to the provisions of Article 124 of the CRR. The provisions of the Regulation of the Ministry of Development and Finance imposed the obligations on banks to assign:

- risk weight equal to 150% to mortgage-secured exposures on residential property financed by a FX loan,
- risk weight equal to 100% to mortgage-secured exposures on commercial immovable property located in the territory of Poland.

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<sup>25</sup> Journal of Laws 2017, item 1776.

<sup>26</sup> Journal of Laws 2017, item 1068.

In accordance with the intention of the FSC-M, raising of the risk weight for FX housing loans means securing of banks in the case of potentially increased level of losses which may stem from high LTV (*Loan to Value*) levels of a substantial part of the older loan portfolio. High LTV levels could have a negative impact on banks' situation if the loans were not repaid and the collateral was insufficient to satisfy the creditor – a high level of LGD (*Loss Given Default*), i.e. losses due to default.

## 5.2. Macroprudential activities

### 5.2.1 Recommendation on the restructuring of the portfolio of FX housing loans

One of significant subjects related to the stability of the domestic financial system, dealt with by the FSC-M in 2017, was the issue of the portfolio of FX housing loans. On the basis of analyses concerning risk associated with the FX housing loans portfolio carried out in 2016 and at the beginning of 2017, the FSC-M took extensive macroprudential activities. They were concluded by the adoption of the resolution on 13 January 2017 in which the Committee formulated recommendations addressed to institutions of financial safety net.<sup>27</sup> The package of recommendations was aimed at creating a range of incentives prompting both banks and their clients to undertake individual restructuring of FX loans.

In the Committee's opinion, in economic terms, the portfolio of FX housing loans did not generate a significant risk to financial system stability.<sup>28</sup> The situation of the vast majority of households which had taken FX loans was good and their resilience to further currency exchange shocks was still high. This resulted from higher initial income buffers of FX loan borrowers, a high rise in nominal wages as well as low level of interest rates. Consequently, FX housing loans were repaid well and the non-performing loans ratio, as at the end of 2016, was only slightly higher than for zloty loans.

At the same time, a significant depreciation of the zloty against the Swiss franc at the beginning of 2015 resulted in emergence of various proposals of legislative solutions in the area of FX loans. The FSC-M negatively assessed solutions aiming at the statutory conversion of FX housing loans at a rate significantly deviating from the current market rate. It argued that the statutory conversion of FX housing loans could lead to material losses in some banks, consequently posing threat to their solvency. Mass currency conversion, concentrated over time, would also result in pressure on a significant weakening of the zloty, which in an extreme case, could pose threat to finan-

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<sup>27</sup> Resolution No 14/2017 of the Financial Stability Committee of 13 January 2017 on the recommendation on the restructuring of the FX housing loans portfolio.

<sup>28</sup> Detailed arguments were presented in the justification to Resolution No 14/2017 of the FSC of 13 January 2017 on the recommendation on the restructuring of the FX housing loans portfolio.

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cial and macroeconomic stability of Poland. Moreover, in the Committee's opinion, the statutory intervention in concluded agreements would involve multi-faceted legal risk.

Taking into consideration the foregoing, the Committee recognised that systemic risk generated by the portfolio of FX housing loans must not be disregarded in connection with the potential effects of legislative solutions raised in the public debate. Due to identified conditions and risk factors, the FSC-M considered the necessity to create the adequate environment supporting the restructuring of FX housing loans on the basis of voluntary agreement between banks and borrowers, in particular, in the case of those who facing a difficult financial situation due to circumstances beyond their will.

The implementation of the basket of the FSC-M recommendations, comprehensively comprising the problem, was meant to create economic incentives prompting banks and their clients to undertake actively individual measures aimed at restructuring of FX housing loans. Due to the voluntary nature of the restructuring, this process will be implemented gradually and, consequently, it will not disrupt the financial stability of the country. According to the Committee's assessment, the prerequisite for the success of the voluntary restructuring process is also the reducing of expectations about the potential statutory conversion of loans, since their maintaining would discourage borrowers and creditors from entering into voluntary agreements.

### **Recommendations for individual institutions**

The recommendation of the Committee regarding the restructuring of the portfolio of FX housing loans consisted of **nine sub-recommendations** addressed to institutions represented in the Committee.

The recommended macroprudential instruments were adjusted so that, on the one hand, they should impose an adequately high burden prompting banks to undertake restructuring measures and, on the other hand, they should not result in the decline of banks' resilience and the stability of the entire banking sector. The Committee mainly recommended a significant increase in effective burden of capital requirements on the portfolio of FX housing loans as well as introduction of other measures supporting the process of voluntary restructuring of those loans.

**Table 4. FSC-M recommendations on the restructuring of the FX housing loans portfolio**

Addressee	FSC-M recommendation
<b>Minister of Finance</b>	<ul style="list-style-type: none"> <li>• Raising to 150% of the risk weight for mortgage-secured exposures on real estate financed by a FX loan.</li> <li>• Increasing the minimum LGD parameter for mortgage-secured exposures on real estate financed by a FX loan.</li> <li>• Introducing changes in the rules of operation of the Borrowers' Support Fund leading to an increased and more effective use of funds (both in foreign currency and in zloty) for the support of financially distressed borrowers.</li> <li>• Developing adequate solutions neutralising potential excessive tax burdens which may occur as a result of implementing the restructuring process of FX housing loans. Potential solutions of a regulatory nature should take into account social aspects as well as the impact on public finance.</li> <li>• Imposing the systemic risk buffer of 3% applicable to all exposures in the territory of the Republic of Poland.</li> </ul>
<b>Polish Financial Supervision Authority</b>	<ul style="list-style-type: none"> <li>• Updating of the Methodology of Supervisory Review and Evaluation Process of Commercial, Associating and Cooperative Banks (BION methodology) and its extension to enable assigning an appropriate level of a capital surcharge due to risk factors associated with the portfolio of FX housing loans, not considered so far (operational risk, market risk and risk of collective default of borrowers).</li> <li>• Supplementing additional capital requirements currently used under Pillar II, associated with the operating risk, market risk and risk of collective default of borrowers for risk factors associated with the portfolio of FX housing loans.</li> <li>• Issuing the supervisory recommendation on good practices with regard to restructuring of the portfolios of FX housing loans.</li> </ul>
<b>Bank Guarantee Fund</b>	<ul style="list-style-type: none"> <li>• Taking into consideration the risk associated with FX housing loans in the method of determining contributions to the bank guarantee fund.</li> </ul>

Source: NBP study based on Resolution No 14/2017 of the FSC-M.



## Implementation of the recommendations

Institutions to which the recommendations were addressed started their implementation immediately, whereas the pace of implementation was determined, among others, by the necessity to comply with the relevant procedures defined in European law, the requirements of the legislative process associated with the issuance of regulations, the requirement to introduce certain changes at a statutory level and the related required *vacatio legis* as well as the oversight procedures. Shortly after releasing the resolution on the recommendations, the FSC-M notified the relevant EU institutions of the scope of adopted recommendations, which was compliant with the rules of cooperation at the EU level, aiming at facilitating and accelerating the work related to the implementation of the recommendation.

Throughout 2017, the Financial Stability Committee monitored the process and progress of works, with an active participation of working groups, first the GRKW and subsequently SGR. As the process of implementation of the recommendations has not finished yet, the FSC-M continues the monitoring also in 2018. The status of implementation and the progress of individual institutions' work related to the recommendations in 2017 is shown in the table below.

**Table 5. Information on the implementation of the FSC-M package of recommendations**

Addressee	FSC-M recommendation – implementation status <sup>29</sup>
Minister of Finance	<ul style="list-style-type: none"><li>• The Regulation concerning the <b>higher risk weight</b> for mortgage-secured exposures on real estate published on 1 June 2017 (Journal of Laws, item 1068), entered into force as of 2 December 2017<sup>30</sup>,</li><li>• Work on the draft Regulation of the Minister of Finance on increasing the <b>minimum LGD parameter</b> for mortgage-secured exposures on real estate financed by a FX loan are in progress.</li><li>• The draft Act amending the Act on the support of financially distressed borrowers who had taken a housing loan and the Act on corporate income tax was submitted to the Sejm (the Polish Parliament).<sup>31</sup> The draft Act stipulates separation of two subfunds from the <b>Borrowers' Support Fund</b>. One subfund will take over existing tasks of the Fund. On the other hand, funds collected in the second subfund will be allocated for cover-</li></ul>

<sup>29</sup> Status updated as at the end of April 2018.

<sup>30</sup> In accordance with Regulation of the European Parliament and of the Council (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms, a 6-month *vacatio legis* is foreseen.

<sup>31</sup> The President's draft Act on amending the Act on the support of financially distressed borrowers who had taken a housing loan and the Act on corporate income tax (Sejm paper no 1863) was submitted to the Sejm on 1 August 2017.

ing the costs of voluntary restructuring of loans. The new mechanism of supplying and use of the subfund should stimulate the process of voluntary restructuring on the lender's side through striving to reduce the base for calculating the contributions and obtaining the highest possible support from the Fund.

- The needs and possibilities to introduce amendments to the **tax legislation** are analysed, to neutralise potential excessive tax burdens for borrowers which could occur as a result of implementing the restructuring process of FX housing loans, in particular in the context of changes in operation of the Borrowers' Support Fund.
- The regulation on **abandoning income tax collection** on certain income associated with a mortgage loan granted for housing purposes was issued<sup>32</sup>, retroactively from 1 January 2017 to 31 December 2018. The regulation applies both to natural and legal persons.
- The regulation on the **systemic risk buffer** was issued, published on 1 September 2017 (Journal of Laws, item 1776), which entered into force on 1 January 2018.

#### Polish Financial Supervision Authority

- Modification of the **Methodology of Supervisory Review and Evaluation Process** of Commercial, Associating and Cooperative Banks (BION methodology) – performed in April 2017.
- Review of **capital requirements under Pillar II** – in connection with FX loans granted and supplementing the existing methodology for imposing the capital surcharge on banks under Pillar II due to the risk associated with FX housing loans – implemented in April 2017.
- The draft recommendations containing **a collection of good practices with regard to restructuring of FX housing loans** were prepared. As the supervisory recommendation is closely linked with the Act changing the operation of the Borrowers' Support Fund, the ultimate date of entry into force of the recommendation depends on the entry into force of the said Act.

#### Bank Guarantee Fund

- The methodology of **determining contributions to the bank guarantee fund** taking into account the FSC recommendation was prepared by the BFG and approved by the KNF on 31 January 2017. Contributions to the bank guarantee fund are calculated with the application of this methodology.

Source: NBP study.

<sup>32</sup> Journal of Laws 2017, item 2167.

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## 6. Analysis of issues related to the financial system

### 6.1. Situation on the residential real estate market

The subject of the real estate market was actively undertaken by the Committee in the second half of 2017. The discussion on current developments and tendencies on this market was prompted by the results of the NBP evaluation regarding the current situation on the residential real estate market in Poland, published in the report on *Information on home prices and the situation in the residential and commercial real estate market in Poland in 2017 Q2*. They indicated a growing demand for housing, including, to a major extent, the investment demand. The FSC-M analysed processes occurring on the residential real estate market and the financing structure of residential real estate from the macroprudential perspective.

The analyses showed a growth in demand for housing, which, however, was balanced by an increased supply and thus it did not contribute to a significant growth in prices. Financing of transactions took place with a substantial share of households' own funds and the investment aspect partially formed an element of the increased demand. Inflexibility of housing supply stemming from limited resources (e.g. availability of labour or land accumulated by developers), including the simultaneous increase in financing real estate purchase by loans could result in the growth of prices and trigger speculative mechanisms.

On the other hand, the analysis of financing sources of residential real estate purchase indicated that in 2017 banks' lending policy was tightened as availability of loans to various borrowers' groups decreased compared with the previous year. Nevertheless, availability of credit remained high. The entry into force of Recommendation S<sup>33</sup> contributed to the improvement in LTV (*loan to value*)<sup>34</sup> ratios of new loans in the banking sector. Between 2013 and 2017, the share of loans with LTV over 80% in new loans dropped from approx. 50% to approx. 37%, whereas loans with LTV above 90% – whose share in 2013 amounted to approx. 35% – are practically not granted today. However, it was noted that the average level of households' loan repayment burden (*debt service to income*, DSTI) for new loans has remained relatively high in recent years (38-40%).

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<sup>33</sup> Recommendation of the Polish Financial Supervision Authority concerning good practices with regard to managing mortgage-secured credit exposures, June 2013.

<sup>34</sup> Ratio of the value of outstanding loan principal repayment to the value of a real estate on which the mortgage securing the loan has been established.

The Committee has recognised that trends in the residential market in 2017 did not generate risk to the financial system in Poland. In the Committee's opinion, the situation on the residential real estate market at the end of 2017 was stable, however, it requires further monitoring.

## 6.2. Covered bonds

In the course of its work in 2017, the FSC-M performed a review and assessment of prevailing frameworks for housing loan financing and mortgage banking in Europe. The aim of this analysis is to review models of covered bond functioning<sup>35</sup> in the EU Member States. Covered bonds are debt instruments considered as safe since they are subject to specific regulations and provide for investor's protection in case of an issuer's bankruptcy. The current regulations of the covered bond markets in the European Union are in the focus of interest also in the context of the ongoing EC legislative works related to the harmonisation of rules of operation of this market.<sup>36</sup>

In the report prepared by the NBP, five basic frameworks of covered bond markets were identified and characterised, i.e.:

- a) *issue of covered bonds by a specialised mortgage bank*, in the case of Hungary and conditions applicable until 2007 in Denmark<sup>37</sup>;
- b) *issue of covered bonds by a universal bank, without the requirement to hold a licence for the issue of covered bonds*, in the case of the Czech Republic and Spain;
- c) *issue of covered bonds by a universal bank, with a contingent licence for the issue of covered bonds*, in the case of Germany and Sweden;
- d) *issue of covered bonds by a specialised financing institution*, in the case of France and Norway;
- e) *issue of covered bonds guaranteed by a special purpose vehicle*, in the case of the Netherlands and Italy.

For each of these models, the formal and legal issues were analysed as well as mechanisms of security for the issue of covered bonds, i.e. the requirements toward loans securing covered bonds, toward the security pool, with regard to risk management and mechanisms of investor's hedging in case of the issuer's bankruptcy. The models were presented against the background of regulatory and supervisory requirements toward covered bonds, arising from the national and European Union regulations.

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<sup>35</sup> In Poland, the market of covered bonds is regulated by the Act of 29 August 1997 on covered bonds and mortgage banks (Journal of Laws 2016, item 1771, uniform text). In accordance with the Act, a covered bond is a registered or bearer security where mortgage-backed receivables of a mortgage bank are the underlying instrument of issue and where the mortgage bank undertakes to satisfy defined cash benefits to the authorised entity. Cash benefits comprise the payment of interest and redemption of covered bonds in the manner and in time limits defined in the terms of issue.

<sup>36</sup> On 12 March 2018, the EC presented the draft directive and regulation concerning covered bonds for public consultation.

<sup>37</sup> The model of regulating the market of covered bonds currently operating in Hungary was also effective until 2007 in Denmark. In Denmark, in the subsequent period, the issue of covered bonds by universal banks was also permitted.

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The review implies that the operational principles of covered bond market in the European Union Member States are not consistent and the scale of the real estate sector financing by issuance of covered bonds is diversified. The majority of issues is concentrated in six countries: Denmark, France, Germany, Italy, Spain and Sweden.

The comparison of solutions used in the EU and in the model effective in Poland indicates that the regulatory standards in our country do not deviate from those applied in other Member States. The Committee recognised that initiatives regarding legislative changes in the EU should be monitored with regard to the functioning of the market for covered bonds.<sup>38</sup>

### 6.3. Minimum requirement for own funds and eligible liabilities

The minimum requirement for own funds and eligible liabilities (MREL) is a new regulatory requirement for domestic entities, i.e. banks, investment firms and credit unions, introduced into the Polish legal system under the *Act on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Forced Restructuring*<sup>39</sup> (implementing the provisions of the BRR Directive<sup>40</sup>). The aim of the MREL is to guarantee internal financing sources for forced restructuring which enables the absorption of losses and recapitalisation of an entity under *bail-in* or coverage of additional capital needs of a purchaser arising from the acquisition of activity of an entity under restructuring (acquisition of an enterprise, bridge institution). The MREL requirement is set by the resolution authority (in Poland – BFG) individually for each bank pursuant to the rules defined by the European Banking Authority in the regulatory technical standard published in the form of Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016 *supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities*. It may be fulfilled using instruments classified as own funds or specified debt instruments.

In June 2017, the Committee reviewed the preliminary estimates of the MREL requirement for Polish banks developed by the BFG. It decided on the need to evaluate macroeconomic effects of introducing the new regulatory requirement for banks.

Therefore, a survey was conducted which was based on the approach used by the Bank for International Settlements and took account of the relationship between expected benefits arising from

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<sup>38</sup> The completion of this analytical project is foreseen in the schedule of FSC-M activities for 2018.

<sup>39</sup> Ustawa o Bankowym Funduszu Gwarancyjnym, systemie gwarantowania depozytów oraz przymusowej restrukturyzacji (Act of 10 June 2016 on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Forced Restructuring), Journal of Laws 2017, item 1937, uniform text.

<sup>40</sup> Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.06.2014, pp. 190-348).

a higher resilience of the banking sector and costs associated with potential lending constraint as a result of imposing the MREL requirement on banks. On the benefits side, a higher resilience of the banking sector to negative shocks was taken into account, reducing a probability of a systemic banking crisis, contributing to maintaining the sustainable economic growth in a long term. On the costs side, it was indicated that the introduction of the requirement may limit banks' ability to grant loans and increase their cost which, in turn, would slow down the GDP growth rate in a short term. The analysis has demonstrated that the benefits of satisfying the MREL by the banking system outweigh the related costs.

#### **6.4. Real Estate Investment Trusts**

The FSC-M analysed the risk associated with real estate investment trusts in the context of legislative work ongoing in 2017, related to the introduction of such companies into the legal order. The Committee recognised that the emergence of new entities modelled on companies defined as Real Estate Investment Trust (REIT) could have a significant impact on the functioning of the real estate market and, consequently, on financial system stability.

The FSC-M noted that in the context of the existing imbalance on the commercial real estate market, the introduction of the REIT-type entities could lead to an inflow of capital to this market and, by increasing the current mismatch, increase the extent of a potential negative adjustment of real estate prices. At the same time, a growth in the share of domestic investors, including individual investors, on the commercial real estate market, could expose them to significant risk, particularly if the introduction of REITs was used by existing owners for the purpose of selling less attractive real properties.

The Committee indicated that in the case of the potential introduction of the REIT-type institutions into the Polish legal order, special attention should be paid to limiting the identified risk areas. In particular, in the case of a possibility to offer shares in REIT to individual investors, a high level of such entities' transparency (guaranteed by adequate disclosure requirements) as well as adequate information of the risk provided to investors are of key importance. In the Committee's opinion, the leverage limits for REITs should be also determined at a prudent level.

#### **6.5. Housing loans bearing a fixed or periodically fixed interest rate**

In the context of the work on the amendment to Recommendation S carried out in 2017 by the Polish Financial Supervision Authority, the Committee elaborated an opinion on the assumptions

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of the draft amendment. One of the key areas covered by the Recommendation is the issue of housing loans bearing a fixed or periodically fixed interest rate.<sup>41</sup>

In its statement, the Committee indicated that banks' authorities should decide on the offer and scale of undertaken lending. Recommendation S should aim primarily at a broad consolidation of standards and the code of good practices in this regard. The Committee presented numerous comments, focusing mainly on issues of information transparency of offered products for clients. In the area of loans bearing a periodically fixed interest rate, the key issue is that such design of the loan does not eliminate the interest rate risk on the client's side, although it may generate such expectations. In particular, emphasis was placed on the risk of surge in borrowers' burden following the period of effectiveness of the periodically fixed interest rate. In the Committee's opinion, information transparency of financial products, expressed among others by making detailed information concerning the characteristics and risk factors of offered financial products available to clients, creates conditions for consumers to take more accurate decisions regarding incurring debt. Considering a long-term nature of housing loans and their significance for the functioning of the banking system, ensuring the information transparency is a measure supporting financial stability in the long term.

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<sup>41</sup> Loans bearing a fixed or periodically fixed interest rate are defined as loans in which interest rate is set at a fixed level for a period of several years as of loan origination and, after the lapse of this period, the interest rate is re-determined – as a fixed interest rate for the subsequent specified period or replaced by a floating interest rate.



## 7. International cooperation

In the European Union, the macroprudential policy is pursued at the national level, however, due to the level of linkages between the financial market macroprudential decisions of one country may affect the situation on other European Union markets. The issue related to the effectiveness of macroprudential activities undertaken in a given state in relation to entities operating on its territory through on a cross-border basis or branches is equally significant. Therefore, the exchange of information and reciprocating macroprudential instruments used by individual EU countries is also of great importance.

Therefore, the ESRB issued the recommendation concerning voluntary reciprocation for macroprudential policy measures in the EU<sup>42</sup>, which created the basis for recognising domestic instruments as macroprudential measures applicable also in other countries. These rules should help to avoid regulatory arbitrage and ensure the consistency of the macroprudential policy in the EU. In accordance with the ESRB recommendations, under the autonomous macroprudential policy the Member States may request the Board to recommend other EU Member States to apply the same or similar macroprudential instruments as those applied in the applicant states (reciprocity).

### 7.1. Recommendation on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures

#### 7.1.1. Monitoring of Belgian and Estonian exposures

In 2016, the ESRB issued two recommendations<sup>43</sup> concerning voluntary reciprocation for macroprudential policy measures introduced in Belgium and Estonia. In response to these recommendations, the Financial Stability Committee decided not to reciprocate these instruments due to the lack of material exposures of Polish banks in those countries. At the same time, the FSC-M indicated the necessity to monitor Polish exposures to the Belgian real estate market and the Estonian financial sector. In 2017, monitoring results confirmed the lack of necessity to apply reciprocity of macroprudential policy measures introduced by these countries.

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<sup>42</sup> Recommendation ESRB/2015/2 of 15 December 2015 *on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures*.

<sup>43</sup> Recommendation of the European Systemic Risk Board of 24 March 2016 *amending recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures* (ESRB/2016/3) and Recommendation of the European Systemic Risk Board of 24 March 2016 *amending recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures* (ESRB/2016/4).



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**Box 1.****Voluntary reciprocity for macroprudential instruments****Belgium**

In February 2017, Belgium requested the EC to introduce, as of May 2017, a new measure replacing the former instrument<sup>44</sup> which expired in May 2017. The new measure assumed maintaining risk weights increased by 5 p.p. for residential mortgage-backed exposures located in Belgium (for banks applying the internal-based ratings (IBR) approach) and introducing additional capital buffers for loans with LTV above 80% through increase of the LGD parameter. On 13 March 2017, the ESRB issued a positive opinion regarding these instruments and supported the request for their reciprocity.

The Committee decided that there was no need for reciprocation of the Belgian instrument and on submission the relevant information in the case of issuing the recommendation by the ESRB.<sup>45</sup>

**Estonia**

On 24 June 2016, ESRB issued a recommendation concerning reciprocating Estonia's Systemic Risk Buffer rate by other EU Member States. In accordance with the attached guidelines<sup>46</sup>, it was possible to abandon reciprocating systemic risk buffer introduced in Estonia if two conditions were jointly met:

- none of the banks operating in the Member State has exposure to Estonia greater than EUR 200 million;
- competent domestic authorities monitor banks' exposure to the Estonian market on an annual basis and upon emergence of such exposures, they reciprocate the instrument introduced in Estonia.

The Committee recognised that, similarly to 2016, there is no need to reciprocate the Estonia's systemic risk buffer in Poland and such information has been submitted to the ESRB.

**7.1.2. Compliance report on ESRB/2015/2 Recommendation**

On 15 December 2015, the European Systemic Risk Board issued the Recommendation *on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures* (ESRB/2015/2). Pursuant to this Recommendation, the competent authorities introducing macro-

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<sup>44</sup> Increasing the risk weight calculated with the use of the IRB approach by 5 p.p. for residential real estate-backed exposures located in Belgium.

<sup>45</sup> The recommendation was not issued since in the course of the legislative procedure the Belgian Parliament challenged the adequacy of application of this instrument and reported the need to continue further analyses in this area.

<sup>46</sup> Background note on the draft ESRB recommendation on reciprocating Estonia's Systemic Risk Buffer rate, which is formally not a part of Recommendation ESRB/2015/2.

prudential policy instruments should present a report on the actions they took in response to this Recommendation, or adequately justify any inaction by 30 June 2017. Updates of information should be subsequently submitted to the Board regularly, every two years.

The FSC-M submitted information concerning the compliance with the ESRB/2015/2 Recommendation in Poland. An important element of the reporting was the assessment of cross-border effects of introduced macroprudential instruments. Until the submission of the reporting template to the ESRB, only one instrument, which required the assessment of cross-border effects, was applied in Poland, i.e. the other systemically important institutions (O-SII) buffer. Identification of other systemically important institutions and imposing relevant buffers on them was performed by the KNF after consulting the FSC-M, and the relevant information was submitted to the ESRB.<sup>47</sup>

In the report, information that the countercyclical buffer is applicable in Poland was also provided. However, due to its level, i.e. 0%, it neither triggers cross-border effects nor requires the application of reciprocity procedure.

#### Box 2.

#### Changes in the rules of reciprocity for macroprudential policy measures in the EU – introduction of the materiality threshold

On 20 October 2017, the European Systemic Risk Board adopted Recommendation ESRB/2017/4<sup>48</sup> supplementing the principles of application of the reciprocity mechanism for macroprudential policy measures in the European Union. The aim of the amendments to the reciprocity mechanism is to harmonise the application of the reciprocity rule and popularise it among Member States. The essential amendments relate to introduction of the **materiality threshold** term which can be defined as a threshold **below which the exposure** of an individual financial institution to identified macroprudential risk **can be considered as non-material**.

The proposal of the materiality threshold shall be presented by the authority activating the individual instrument in the application for reciprocity. The relevant authorities of other countries may exempt an individual financial service provider from applying a particular reciprocating macroprudential policy measure, if this financial service provider has non-material exposure to the identified macroprudential risk in the activating country. The relevant authorities should report such exemptions to the ESRB.

<sup>47</sup> The O-SII identification process was described in Chapter 5 of the Report.

<sup>48</sup> Recommendation of the European Systemic Risk Board of 20 October 2017 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2017/4).

## 7.2. ESRB recommendation on the identification of material third countries

At the beginning of 2016, the ESRB published *the Recommendation on recognising and setting countercyclical buffer rates for exposures to third countries* (ESRB/2015/1). The aim of the recommendation is to harmonise the principles of recognising and setting countercyclical buffer rates in relation to third countries.

In accordance with the Recommendation, the national designated authorities should identify material third countries and submit their list to the ESRB by the end of the second quarter of each year. Moreover, risks from excessive credit growth in material third countries should be monitored at least on an annual basis, except for countries which are already monitored directly by the Board pursuant to the decision ESRB/2015/3.<sup>49</sup>

For the purpose of the identification of material third countries, in Poland, the methodology consistent with that adopted in the Decision ESRB/2015/3 *on the assessment of materiality of third countries for the Union's banking system in relation to the recognition and setting of countercyclical buffer rates* is applied.

Table 6 presents six countries for Polish banks had the highest exposures. None of these countries has exceeded the threshold limits defined in the adopted methodology.

Based on the performed analyses, in 2017 the Committee stated that no grounds existed to identify any third country as material in terms of the need to recognise and determine the countercyclical buffer rates and submitted the relevant information to the ESRB.

**Table 6. The highest exposures of Polish banks**

COUNTRY	Average share in 8 quarters	Exposure > 1% in the last 2 quarters	Exposure qualification
France	1.19%	no	immaterial
United Kingdom	0.81%	no	immaterial
Germany	0.72%	no	immaterial
Luxembourg	0.56%	no	immaterial
Czech Republic	0.50%	no	immaterial
United States	0.30%	no	immaterial

Source: NBP calculations.

<sup>49</sup> In accordance with the updated ESRB Decision of 11 December 2015 on the assessment of materiality of third countries for the Union's banking system in relation to the recognition and setting of countercyclical buffer rates (ESRB/2015/3), the states recognised as material and, at the same time, monitored by the ESRB include: Brazil, China, Hong Kong, Russia, Singapore, Turkey and the United States.

### 7.3. Assessment of Poland's compliance with the recommendations of the European Systemic Risk Board

#### 7.3.1. Compliance report on ESRB/2013/1 Recommendation on intermediate objectives and instruments of macroprudential policy

In February 2017, the European Systemic Risk Board published a report that provided an assessment of the level of implementation of the ESRB/2013/1 Recommendation *on intermediate objectives and instruments of macroprudential policy*.<sup>50</sup> The objective of the ESRB Recommendation was to create institutional and legal framework to increase the effectiveness of measures aimed at protection of financial system stability.

The Recommendation contains sub-recommendations regarding setting the relevant intermediate objectives and development of the strategy for pursuing the macroprudential policy based on analyses of the practical application of its individual instruments. Moreover, the Recommendation commits Member States to provide macroprudential authorities with the relevant legal instruments and tools which enable effective pursuit of macroprudential policy.

The evaluation was based on information submitted to the ESRB by the EU Member States. The Board recognised that the implementation of the Recommendation should receive a high grade. None of the countries received a negative evaluation of undertaken measures (*Non-compliant*). The majority of recommendation addressees obtained the highest grade for the implementation of each of the sub-recommendations (*Fully compliant*). **Poland obtained the highest grade for each of the sub-recommendations and, at the same time, the highest overall grade.**

**Table 7. Assessment of the level of implementation of Recommendation ESRB/2013/1 by Member States and their macroprudential authorities**

Country	Overall grade	Recommendation A	Recommendation B	Recommendation C
Austria	FC	FC	FC	FC
Belgium	FC	FC	FC	LC
Bulgaria	FC	FC	FC	LC
Croatia	FC	FC	FC	LC
Cyprus	FC	FC	FC	FC
Czech Republic	LC	LC	LC	PC

<sup>50</sup> Summary Compliance Report on Recommendation 2013/1 on intermediate objectives and instruments, ESRB, February 2017, [https://www.esrb.europa.eu/pub/pdf/recommendations/2017/esrbrecommendation\\_ESRB\\_2013\\_1.en.pdf?558ca64c1f29722d9be11ac29fcfdff9](https://www.esrb.europa.eu/pub/pdf/recommendations/2017/esrbrecommendation_ESRB_2013_1.en.pdf?558ca64c1f29722d9be11ac29fcfdff9).

Denmark	FC	FC	FC	FC
Estonia	FC	FC	FC	FC
Finland	FC	FC	FC	LC
France	FC	FC	FC	FC
Greece	FC	FC	FC	FC
Spain	LC	LC	FC	PC
Netherlands	FC	FC	FC	FC
Ireland	FC	FC	FC	FC
Lithuania	FC	FC	FC	FC
Luxembourg	FC	FC	FC	FC
Latvia	FC	FC	FC	FC
Malta	FC	FC	FC	FC
Germany	FC	FC	FC	FC
Poland	FC	FC	FC	FC
Portugal	LC	LC	FC	FC
Romania	FC	FC	FC	FC
Slovakia	FC	FC	FC	FC
Slovenia	FC	FC	FC	FC
Sweden	FC	FC	FC	LC
Hungary	FC	FC	FC	FC
United Kingdom	FC	FC	FC	FC
Italy	FC	FC	FC	LC

The degree of compliance with the recommendation

FC	Fully Compliant	SE	Inaction sufficiently explained
LC	Largely Compliant	IE	Inaction insufficiently explained
PC	Partially Compliant		
MN	Materially Non-compliant		
NC	Non-compliant		

Source: NBP study based on the ESRB *Summary Compliance Report on Recommendation 2013/1 on intermediate objectives and instruments*.

### 7.3.2. Compliance report on Recommendation on funding of credit institutions ESRB/2012/2

The report summarising the results regarding the assessment of the implementation of the ESRB Recommendation on funding of credit institutions was published in March 2017.<sup>51</sup> The objective of the ESRB Recommendation was to mitigate the financing and liquidity risk, ensuring an adequate credit flow to the real economy. In accordance with this Recommendation, banks should

<sup>51</sup> *Summary Compliance Report on ESRB Recommendation on funding of credit institutions ESRB/2012/2*, ESRB, March 2017, [https://www.esrb.europa.eu/pub/pdf/recommendations/2017/esrb.reports180305\\_compliancereportonrecommendation2012\\_2\\_en.pdf?7daa4ae1af286df6571b64ed59ba34fc](https://www.esrb.europa.eu/pub/pdf/recommendations/2017/esrb.reports180305_compliancereportonrecommendation2012_2_en.pdf?7daa4ae1af286df6571b64ed59ba34fc)

apply adequate business models which would enable them to meet the liquidity standards without a disproportionate and excessive long-term reliance on funds provided by central banks.

The FSC-M, as a macroprudential supervisory authority, participated in the implementation of recommendation A3 regarding the assessment of the impact of credit institutions' funding plans on the flow of credit to the real economy. Based on the analysis of banks' financial plans, the Committee assessed the funding structure in terms of its stability and diversification level, reliability of banks' plans and their impact on the banks' liquidity position. The assessment showed that the implementation of the banks' funding plans would have a positive impact on their financial standing while the risk for lending associated with the funding structure would be limited. **In the report, the level of compliance with the recommendation A3, completed on base of the analyses performed by the FSC-M was assessed as *Fully compliant*.**

It should be mentioned that the Recommendation was issued before the entry into force of changes arising from the CRD IV and CEE and prior to the introduction of the Single Supervision Mechanism. As a consequence, the assessment of the implementation of the Recommendation takes into account the experience resulting from the harmonisation of regulations and institutional solutions introduced, moreover, it draws attention to areas requiring further analysis and regulation. Nevertheless, the final results of the assessment indicate that the level of the implementation of sub-recommendations is high and the original objectives of the Recommendation have been accomplished.

Poland obtained positive grades for the implementation of all sub-recommendations addressed both to the microprudential supervision authority (KNF) and the macroprudential supervision authority (FSC-M).

**Table 8. Assessment of the level of implementation of Recommendation ESRB/2012/2 by Member States' macroprudential authorities (and the ECB) and the EBA**

Country	Overall grade	Sub-recommendation A	Sub-recommendation B	Sub-recommendation C	Sub-recommendation E
Austria	FC	FC	FC	FC	FC
Belgium	FC	FC	FC	FC	FC
Bulgaria	FC	FC	FC	FC	SE
Croatia	FC	FC	LC	FC	SE
Cyprus	LC	FC	LC	LC	SE
Czech Republic	LC	LC	FC	LC	SE
Denmark	FC	FC	FC	FC	FC
Estonia	FC	FC	FC	LC	SE
Finland	LC	FC	LC	FC	LC
France	LC	LC	FC	FC	LC

Greece	FC	FC	FC	FC	FC
Spain	FC	FC	FC	FC	FC
Netherlands	FC	FC	FC	FC	FC
Ireland	FC	FC	FC	FC	FC
Lithuania	FC	FC	FC	FC	SE
Luxembourg	FC	FC	FC	FC	FC
Latvia	FC	FC	FC	FC	SE
Malta	FC	FC	FC	FC	SE
Germany	FC	FC	LC	FC	FC
Poland	LC	FC	LC	LC	LC
Portugal	FC	FC	FC	FC	FC
Romania	FC	FC	FC	FC	FC
Slovakia	FC	FC	FC	FC	LC
Slovenia	FC	FC	FC	LC	FC
Sweden	LC	LC	LC	LC	FC
Hungary	FC	FC	FC	FC	SE
United Kingdom	FC	FC	FC	FC	FC
Italy	FC	FC	FC	FC	FC
ECB	FC	FC	SE	FC	

	Overall grade	Sub-recommendation A	Sub-recommendation C	Sub-recommendation D	Sub-recommendation E
EBA	FC	FC	LC	FC	FC

The degree of compliance with the recommendation

FC	Fully Compliant	SE	Inaction sufficiently explained
LC	Largely Compliant	IE	Inaction insufficiently explained
PC	Partially Compliant		
MN	Materially Non-compliant		
NC	Non-compliant		

Source: NBP study based on ESRB Summary Compliance Report on ESRB Recommendation on funding of credit institutions ESRB/2012/2.

**Box 3.****Directions of macroprudential policy in the European Union in 2017**

The European Systemic Risk Board performs annual reviews of macroprudential policy pursued by EU Member States. The analysis presented in the next issue of *A Review of Macroprudential Policy in the EU*<sup>52</sup> indicates that in 2017 the majority of the countries applied macroprudential instruments, whereas the number of instruments was lower than in previous years. The instruments activated most frequently include: the systemic risk buffer, LTV ratio limits and the countercyclical capital buffer. The objective of the majority of the tools applied is to mitigate the increasing cyclical risk, including the risk related to imbalances in the residential real estate sector.

The table presents changes in the application of individual instruments in EU Member States compared to the previous year.

**Changes in macroprudential instruments applied in 2017**

Country	Countercyclical buffer	Instruments related to the residential real estate market	Systemic risk buffer	O-SII and G-SII buffers	Other instruments
Austria	→	→	↑	→	→
Belgium	→	→	→	→	→
Bulgaria	→	→	→	→	→
Croatia	→	→	→	→	→
Cyprus	→	→	→	→	↓
Czech Republic	↑	↑	→	→	→
Denmark	→	↑	↑	→	→
Estonia	→	→	→	→	→
Finland	→	↑	→	→	→
France	→	→	→	→	→
Greece	→	→	→	→	→
Spain	→	→	→	→	→
Netherlands	→	→	→	→	→
Ireland	→	→	→	→	→
Lithuania	↑	↑	→	→	→
Latvia	→	→	→	→	→
Luxembourg	→	→	→	↑	→
Malta	→	→	→	→	↑
Germany	→	→	→	→	→
Norway	→	↑	→	→	→
Poland	→	→	↑	→	↑
Portugal	→	→	→	↓	→
Romania	→	→	↑	→	↑
Slovakia	↑	→	→	↓	↑
Slovenia	→	→	→	→	→
Sweden	→	→	→	→	→

<sup>52</sup> *A Review of Macroprudential Policy in the EU in 2017*, ESRB, April 2018.



Hungary	→	→	→	→	→
United Kingdom	↑	→	→	→	→
Italy	→	→	→	→	→

Changes in the application of the instrument

↑	Increased requirements
↓	Reduced requirements
→	No change

The specification compared the status before and after an introduction of the specific instrument. The table comprises instruments introduced in 2017, however, some of them may enter into force later. Changes related to G-SII and O-SII buffers refer to changes in the methodology of identification or calibration of the buffer and disregard the number of identified institutions or the level of buffers imposed.

Source: Study based on the table presented in the ESRB report: *A Review of Macroprudential Policy in the EU in 2017*.

## 8. Communication – domestic and foreign

The communication policy of the Financial Stability Committee – due to its impact on the expectations and behaviour of financial market participants – is an important and integral part of a framework of macroprudential supervision performed by the Committee. Awareness of risk occurrence among market participants is raised by communication of identified systemic risk and its assessment by the FSC-M, which – assumedly – should reduce the scale of risk-taking and lead to undertake self-corrective measures. Subsequently, risk may be reduced or the consequences of risk materialisation may be less severe, which has a direct positive impact on financial stability.

The FSC-M implements its communication policy by the principle of transparency, demonstrated by publishing decisions significant for realization of the macroprudential supervision objective. It also publishes analytical notes used to take the decisions. This allows market participants to better understand and assess the developments in the financial system and also to familiarize with the approach and opinion of the Committee on various macroprudential supervision issues.

Press releases after FSC-M meetings, documents and publications posted on the NBP website are the main communication policy tools of the Committee.

The legal solutions adopted in the Act on macroprudential supervision, based on which the FSC-M pursues its communication policy, and the standards applied by the FSC-M are compliant with the recommendations of the European Systemic Risk Board.<sup>53</sup>

### 8.1. Press releases after FSC-M meetings

The press release of the FSC-M is the basic tool of communicating the Committee's activities to the public. After each meeting, the Committee communicates its decisions and the issues raised during the meeting. In its press releases, the FSC-M also delivers synthetic assessment of the developments discussed during the meeting in the context of their impact on financial stability and presents issues relevant from the point of view of systemic risk assessment. After the meeting, a press release adopted by the FSC-M is immediately posted on the home page of Narodowy Bank Polski website and under the "Macroprudential supervision" tab.<sup>54</sup>

Five regular press releases after FSC-M meetings were published in 2017. After the meeting of 2 June 2017, in an additional release the Committee informed the public about the progress of the

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<sup>53</sup> Recommendation of the European Systemic Risk Board of 22 December 2011 *on the macro-prudential mandate of national authorities* (ESRB/2011/3).

<sup>54</sup> <http://www.nbp.pl/macprudentialsupervision/index.aspx>.

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work on the implementation of the Committee's recommendation of 13 January 2017 by its addressees.

## **8.2. Annual report of the FSC-M**

*Annual Report on Macroprudential Supervision Activity of the Financial Stability Committee* is an important communication policy tool of the Committee. It is a periodical report that discusses all the work and measures taken by the FSC in a given year. The document serves to implement the statutory obligation. The report contains, among others, the main principles of the Committee's work, the macroprudential supervision strategy, the results of key systemic risk assessment analyses in a given year and also decisions on the application of macroprudential instruments and FSC's international cooperation activities.

This *Report* is the third issue of the report. The document presents the activity of the Polish macroprudential supervision authority and gives a broader picture on a yearly basis. Similarly to the macroprudential policy of the FSC-M, the document is developing and includes more aspects of systemic risk. The Committee pays great attention to the annual *Report* and makes every effort to make the report a key document of the Polish macroprudential supervision authority.

## **8.3. Notifications addressed to EU institutions and authorities**

The communication tasks of the FSC-M include notification of relevant European institutions of its domestic macroprudential policy decisions. This is of major significance as decisions of specific EU countries may have an impact on the financial markets of a number of other jurisdictions. As macroprudential supervision is a relatively new component of regulatory policy, information sharing on a reciprocal basis also serves to gain experience and create a knowledge base on the application of macroprudential tools and their effectiveness.

The Financial Stability Committee in its macroprudential capacity has the obligation to notify the ESRB, the EU, the EBA and macroprudential authorities in other EU Member States of introducing macroprudential instruments. It is an important issue, because decisions of individual countries in the EU can affect the financial markets of other jurisdictions. Drawing on existing practice in the EU on communication of macroprudential tools application, the FSC-M has also delivered information to the EU on all the recommendations on the restructuring of the FX housing loans portfolio.

Table 9. Notifications by the FSC-M in 2017

	SUBJECT OF NOTIFICATION	ADDRESSEE	NOTIFICATION DATE
1.	Information on the adoption by the FSC-M of the resolution on the recommendation on the restructuring of the FX housing loans portfolio.	EC, ESRB, EBA, ECB	January 2017
2.	Quarterly information on the level of the countercyclical buffer rate	ESRB	March, June, September, December 2017
3.	Report on measures taken in response to the <i>Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures</i>	ESRB	June 2017
4.	List of third countries to which institutions operating under the licence granted in Poland have material exposures	ESRB	June 2017
5.	Information on non-reciprocity for the Estonian macroprudential instrument due to lack of exposures	ESRB	June 2017
6.	Imposition of the systemic risk buffer	EC, ESRB, EBA national macroprudential authorities	August 2017
7.	The intended impose of the O-SII buffer	EC, ESRB, EBA national macroprudential authorities	September 2017
8.	Information on the identification of the O-SII and in the imposition of the O-SII buffer on them	EC, ESRB, EBA	January 2018

Source: NBP.

#### 8.4. Website

In fulfilment of its obligations to provide services to the FSC-M, NBP created a tab devoted to macroprudential supervision on its website. The news service of the FSC-M is in Polish and in English. The tab contains the adequate categories of information on the FSC-M and its activities. The *Home page* of the tab includes press releases after FSC meetings. Basic institutional and regulatory information (membership, tasks, competences of the Committee) and basic information, terms and definitions related to macroprudential supervision can be found in the Section *Financial Stability Committee*. Information on *Macroprudential instruments* applied in Poland can be found on the website together with a specially separated and expanded part on the *Countercyclical buffer*. The annual report is available to the public under the tab *Publications*. Moreover, docu-

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ments on macroprudential supervision that the FSC-M has considered important from the point of view of its policy are also available. To enhance the transparency of its activities, also posted in this section are *Analytical materials* that form the basis for FSC-M recommendations on macroprudential instruments. This refers, in particular, to materials providing the basis for findings on the level of the countercyclical buffer rate.

# Glossary of terms and abbreviations

## Terms

<b>Countercyclical capital buffer</b>	a countercyclical capital buffer is an additional capital requirement imposed on institutions (banks) to increase the resilience of the banking system to cyclical fluctuations of systemic risk.
<b>Global Systemically Important Institutions buffer</b>	an additional capital requirement maintained by global systemically important institutions (G-SIIs) to strengthen their resilience to economic shocks.
<b>Other Systemically Important (domestic) Institutions buffer</b>	an additional capital requirement maintained by other systemically important institutions (O-SIIs) to strengthen their resilience to economic shocks.
<b>Systemic risk buffer</b>	an additional capital requirement serves to prevent and mitigate non-cyclical systemic risk to strengthen the resilience of financial institutions and their capacity to absorb losses in the event of systemic shocks. It may be imposed on all or selected financial institutions or on their specific exposures.
<b>Conservation buffer</b>	an additional capital requirement of a maximum 2.5% of the total risk exposure. It is maintained by financial institutions to allow them to absorb losses without defaulting the minimum capital requirements.
<b>CCP</b>	a central counterparty is a legal person that carries out the function of a clearing house based on the CCP rule. The task of that legal person is to clear transactions in the regulated market and in the alternative trading system and to operate a clearing liquidity guarantee system.
<b>Ultimate objective</b>	specifies the defined, final objective of macroprudential supervision. In Poland, in accordance with the Act on macroprudential supervision, the ultimate objective of macroprudential supervision is to "strengthen the resilience of the financial system in the event of materialisation of systemic risk, and, in consequence, to support long-term and sustainable economic growth of the country".
<b>Intermediate objectives</b>	operational expanding of pursuing of the ultimate objective of the macroeconomic policy. Specifying the intermediate objectives serves to define particular areas of risk in the financial system, whose mitigation is necessary to ensure financial stability.

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<b>Financial cycle</b>	periodical fluctuations of the levels of lending, leverage and financial asset prices in the economy.
<b>Economic cycle</b>	consecutive periods of growth and recession, has four consecutive phases: recovery, expansion, slowdown and recession.
<b>Credit cycle</b>	periodical fluctuations of debt levels in the economy.
<b>Global Systemically Important Institution (G-SII)</b>	G-SII is a financial institution identified at the international level as particularly significant for financial system stability. Any disruption to the functioning of such institutions – due to its size, value or linkages with other financial institutions – could cause adverse and substantial problems for the whole financial system globally.
<b>Other Systemically Important Institution (O-SII)</b>	O-SII is a financial institution identified at the national level as particularly significant for financial system stability. Any disruption to the functioning of such institutions – due to its size, value or linkages with other financial institutions – could cause adverse and substantial problems for the whole financial system nationally.
<b>Macroprudential instruments</b>	measures serve to mitigate systemic risk and used by a macroprudential supervision authority. They include, among others, a counter-cyclical capital buffer, a systemic risk buffer or buffers imposed on G-SIIs and O-SIIs. Other available instruments, calibrated from a systemic perspective and taking into account identified risks to financial stability, can also be used in macroprudential policy.
<b>Resolution mechanism</b>	the procedure used for financial institutions (banks) facing bankruptcy, in which, in principle, no public assistance is provided and the effects of bad management of the bank are borne by both its shareholders and creditors.
<b>Supervisory Review and Evaluation Process (SREP) - BION methodology</b>	supervisory assessment of banks performed on a periodical basis by the UKNF. This methodology is the process of identification of the size and nature of risk that banks are exposed to, assessment of risk management quality, and evaluation of the level of capital to cover risk arising from bank management and banking business, including compliance of the latter with the provisions of law.
<b>Macroprudential supervision</b>	comprises identification, assessment and monitoring of systemic risk and measures aimed at eliminating or reducing this risk through application of macroprudential tools, in other words, macroprudential policy.

<b>Notification</b>	is an official information transmitted to an EU institution or an entity referred to in the provisions of law that impose the obligation of notification.
<b>Third countries</b>	countries outside the European Economic Area.
<b>Macroprudential policy</b>	see Macroprudential supervision.
<b>Recommendation</b>	issued by the FSC in case of necessity to undertake actions aimed at eliminating systemic risk. Recommendations can be addressed to institutions represented in the FSC, i.e. NBP, MF, the KNF and the BFG. The addressees are obliged to take recommended measures or explain the reasons for non-compliance.
<b>Systemic risk</b>	the risk of a disruption of the functioning of the financial system, which if materialised, distorts the operation of the financial system and the national economy as a whole.
<b>Financial safety net</b>	a group of public institutions whose goal is to protect and support financial stability by seeking to reduce the frequency and the scale of disruptions in the functioning of the financial system and by cushioning the effects of such disruptions. These public institutions usually comprise a central bank, the government, a financial supervision authority and the deposit guarantee scheme. In Poland, these include: Narodowy Bank Polski, the Minister of Finance, the Polish Financial Supervision Authority, the Bank Guarantee Fund and the Financial Stability Committee.
<b>Statement</b>	presented by the FSC when the source of systemic risk is identified in the financial system or its environment. The purpose of statements is to draw attention to identified risks to financial stability. They can be addressed to all or some entities of the financial system and to institutions represented in the FSC.
<b>ESRB recommendations</b>	are not legally binding instructions (recommendations) on the need to take remedial action, either of a general or a specific nature, issued by the European Systemic Risk Board when the sources of significant risks to financial stability in the EU are identified. The institutions to which recommendations are addressed should either comply or explain the reasons for non-compliance (an <i>act or explain</i> mechanism).



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**The reciprocity principle**

in macroprudential policy means that macroprudential policy measures activated in one Member State are reciprocated in other member States. The symmetrical application of macroprudential policy measures is aimed at achieving coherent and effective risk-mitigating actions in the financial market.

## ABBREVIATIONS

BION	Supervisory Review and Evaluation Process (Badanie i Ocena Nadzorcza)
CCP	central counterparties
CRD IV	Directive 2013/36/EU of the European Parliament and of the Council
CRR	Capital Requirements Regulation, Regulation of the European Parliament and of the Council (EU) No 575/2013
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ESRB	European Systemic Risk Board
EU	European Union
FSC	Financial Stability Committee
FSC-C	Financial Stability Committee for crisis management
FSC-M	Financial Stability Committee as a macroprudential authority
GRKW	Working Group on the Risk of FX Housing Loans (Grupa Robocza ds. Ryzyka Walutowych Kredytów Mieszkaniowych)
G-SII	Global Systemically Important Institution
KNF	Polish Financial Supervision Authority
LGD	Loss Given Default
MF	Minister of Finance
MRiF	Minister of Economic Development and Finance
NBP	Narodowy Bank Polski
NPL	non-performing loans
O-SII	Other Systemically Important Institution
SGR	Permanent Working Group (Stała Grupa Robocza)
SKOK	credit unions (Spółdzielcze Kasy Oszczędnościowo-Kredytowe)
UKNF	Office of the Polish Financial Supervision Authority

