

## Press release after the meeting of the Financial Stability Committee on macroprudential supervision

Date: 21-09-2020

The meeting of the Financial Stability Committee on macroprudential supervision was held on 21 September 2020. The following persons participated in the meeting:

- Paweł Szalamacha, Member of the Management Board of Narodowy Bank Polski as the Chair of the Committee,
- Piotr Nowak, Undersecretary of State, Ministry of Finance,
- Rafał Mikusiński, Deputy Chairman of the Polish Financial Supervision Authority,
- Piotr Tomaszewski, President of the Management Board of the Bank Guarantee Fund.

Performing its statutory duties, the Committee passed a resolution on a recommendation addressed to the Minister of Finance on maintaining the countercyclical buffer rate at 0% in the second and third quarters of 2020 and also decided to notify the European Systemic Risk Board of the relevant information on its level and underlying indicators. The representative of the Minister of Finance agreed with the recommendation and acknowledged that there is no need to take legislative measures in this area.

The Committee members discussed the sources of risk in the Polish financial system and its environment, identified in the regular survey on this matter. According to the Committee's assessment, the impact of the Covid-19 pandemic resulted in a change in the nature and hierarchy of the sources of risk to Poland's banking system. Credit losses, that may arise as a result of the worsening of the financial condition of borrowers, related to the impact of the pandemic, were identified as a new and significant risk source. Moreover, there is possibility of excessively limit the availability of loans by banks. In the context of national court rulings in cases related to FX mortgage-secured housing loans, the portfolio of these loans remains a significant vulnerability in the banking system. Risk also stems from the difficult financial position of certain credit institutions and the possibility of the contagion effect.

The Committee also took note of an overview of current trends analyses on the domestic residential real estate market. The Covid-19 pandemic hit the residential real estate sector at the peak of economic trends and resulted in a drop in activity on this market. The pandemic also led to decrease in demand for housing loans and to the tightening of housing loan terms. At the same time, compared to other credit categories, the observed fall in housing loan growth and the risk of a credit crunch are relatively low.

Acting on the request of the Polish Financial Supervision Authority, the Committee delivered opinions on identifying other systemically important institutions (O-SIIs) and on imposing the O-SII buffer on the identified institutions.

Implementing the ESRB recommendation on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures, the Committee studied the results of the monitoring of the Polish banking sector's exposures to Belgium and concluded that there are reasons justifying non-reciprocation of the Belgian macroprudential instrument. The Committee also discussed how to implement the ESRB recommendation on exchange and collection of information for macroprudential purposes on branches of credit institutions having their head office in another Member State or in a third country.

The Committee discussed the Bank Guarantee Fund's proposals on the change of the methodology of determining the MREL following the implementation of a new directive that regulates the issues of resolution.

Another item on the agenda of the Committee's meeting was the information on the nature of cyber risk, ways of cyber risk monitoring and its potential impact on systemic risk.

The Committee took note of current developments in the area of the FX housing loan portfolio in connection with pending lawsuits on the FX housing loan agreements.

The Committee received for information purposes an overview of macroprudential policy in individual countries and on the EU forum.

The next regular meeting of the Committee on macroprudential supervision is scheduled for the fourth quarter of 2020.