

Press release of the Financial Stability Committee on macroprudential supervision on 23 September 2019

Date: 23-09-2019

The meeting of the Financial Stability Committee on macroprudential supervision (FSC-M) was held on 23 September 2019. The following persons participated in the meeting:

- Paweł Szalamacha, Member of the Board of Narodowy Bank Polski as the Chair of the Committee,
- Piotr Nowak, Undersecretary of State, Ministry of Finance,
- Jacek Jastrzębski, Chairman of the Polish Financial Supervision Authority,
- Krzysztof Broda, Deputy 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%](#) and decided to notify the European Systemic Risk Board of its level and underlying indicators. The representative of the Minister of Finance agreed with the recommendation and informed that there is no need for legislative measures in this area.

The Committee discussed the sources of risk in the Polish financial system and its environment indicated in the survey conducted among the institutions represented in the FSC. Some financially distressed credit institutions and the possibility of the contagion effect spreading to other system participants have been identified as the main source or risk. The portfolio of FX housing loans remains an important source of risk, mainly due to the legal risk associated with certain loan agreements. In the Committee's opinion, the potential impact of this risk may be spread over time. The Committee will monitor the situation in this respect which depends primarily on the development of the case law of national courts.

The Committee took note of an overview of the current trends on the residential real estate market analysis. In the Committee's opinion, there are no signs of an excessive increase in housing loans at this stage, especially given the increase in GDP and in wages in the economy. However, high activity on the housing market and an increase in the average loan value point to the need for banks to remain prudent when assessing the creditworthiness of clients applying for real estate loans, especially for investment purposes. The Committee will continue to monitor the residential real estate market from the point of view of sources of systemic risk.

Committee members discussed conclusions from housing loans insurance analysis. According to the Committee's assessment, the insurance of such loans does not create risk of spreading problems across the banking and insurance sectors.

Committee members discussed the progress in implementing the reform of the WIBOR and WIBID money market reference rates. Considering the current progress of work, it was assessed that the risk for the domestic financial system related to the threat of a timely adjustment of the WIBOR rates to the requirements of the Benchmarks Regulation¹ decreased after the EU agreed to extend the deadline for the adjustment and the GPW Benchmark SA intensified its preparations.

Acting pursuant to Articles 39 and 46 of the *Act on Macroprudential Supervision of the Financial System and Crisis Management*, at the request of the Polish Financial Supervision Authority, the Committee issued opinions on maintaining or repealing or amending the decision on the identification of other systemically important institutions (O-SIIs) and imposing the O-SII buffer on the identified institutions.

The Committee took note of the International Monetary Fund report on the macroprudential policy framework in Poland summarizing the IMF mission carried out in 2017-2018 as part of the Financial Sector Assessment Program (FSAP). The IMF positively assessed the conduct of macroprudential policy in Poland and formulated recommendations to further strengthen this policy. The FSC members acknowledged that most FSAP recommendations were implemented or are being implemented.

The Committee analyzed foreign exposures of the Polish banking sector. The analysis shows that the foreign activity of Polish banks is limited and concentrated mainly in euro area countries. All the third countries (countries outside the EU) to which the Polish banking sector has the largest exposures have been identified as significant at the EU level and are monitored by the European Systemic Risk Board.

The FSC-M got acquainted with the review of macroprudential policy conducted by other countries and on the European Union forum.

The next regular Committee meeting on macroprudential supervision is scheduled for December 2019.

¹Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.