



## NATIONAL COMMITTEE FOR MACROPRUDENTIAL OVERSIGHT

### Press release

On 9 October 2017, the third meeting of the General Board of the National Committee for Macroprudential Oversight (NCMO) took place. Two NCMO regulations were adopted during the meeting, regarding the methodology and procedure for setting capital buffers and the rules governing the organisation and functioning of the NCMO. In addition, discussions touched upon the findings of the regular assessments on the recalibration of the countercyclical capital buffer and the identification of systemically important credit institutions based on data for 2017, alongside the measures required in line with the provisions of the applicable European and national framework. Moreover, two vulnerabilities in relation to the stability of the Romanian financial system were identified, with respect to the soundness of non-financial corporations in Romania and household indebtedness.

1) Pursuant to Art. 3 para. (2) let. b) and para. (3) of Law No 12/2017 on the macroprudential oversight of the national financial system, the General Board adopted the Regulation on the methodology and procedure for setting capital buffers and the scope of these instruments. The regulation transposes the provisions of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC as regards the setting and scope of capital buffers, as well as the applicable provisions of ESRB recommendations and EBA guidelines respectively; it shall enter into force on the date of publication in *Monitorul Oficial al României*.

2) Considering the provisions of Art.5 para. (6) of Law No 12/2017 on the macroprudential oversight of the national financial system, the General Board adopted the Regulation on the organisation and functioning of the National Committee for Macroprudential Oversight. The regulation stipulates in detail the organising and functioning of the General Board, Technical Committee on systemic risk, Technical Committee on financial crisis management, Advisory Scientific Committee, as well as of the Secretariat. A distinct chapter addresses the rules governing the conditions in which the NCMO issues the warnings, recommendations and advisory opinions to the NBR, FSA and, if applicable, the Government.

3) The NCMO discussed the manner of implementing the buffer for other systemically important institutions (the O-SII buffer) in 2018. In line with the applicable European regulations, any such measures are subject to prior notification of the ESRB, EC, EBA and of the relevant national competent and designated authorities. A final decision in this regard shall be published after expiry of the notification period (30 days).

4) According to Art. 136 of Directive 2013/36/EU, the appropriate countercyclical buffer rate shall be set on a regular basis.

The latest analyses show that total indebtedness (non-financial corporations and households) further stays below the alert threshold. At sectoral level, signals continue to indicate the build-up of vulnerabilities related to household lending, the alert threshold being exceeded for the sixth quarter in a row in the case of housing loans.

In this context, the National Committee for Macroprudential Oversight adopted Recommendation No R/4/2017 whereby the NBR, in its capacity as competent authority, is recommended to maintain the countercyclical capital buffer for credit institutions at 0 (zero) percent, a level which has been implemented starting with 1 January 2016, along with the monitoring of household indebtedness developments.

5) As a result of identifying structural vulnerabilities concerning the financial soundness of non-financial corporations in Romania, which entail notable negative consequences on the stability of the Romanian financial system, i.e. persistence of negative financial results of many firms, poor quality of capital and the large number of firms either with owners' equity below the regulatory threshold or inactive, the National Committee for Macroprudential Oversight adopted Recommendation No R/6/2017. Specifically, the Government, by the agency of the Ministry of Public Finance, and the National Bank of Romania are recommended to set up a working group that should conduct in-depth analyses of the firms' financial soundness and identify solutions so that businesses' budget constraints become tight in both public and private sectors.

6) Another vulnerability to financial stability refers to the increase in household indebtedness, which may have notable negative effects on both the financial system and future economic growth. At present, indebtedness has risen substantially, with one third of the debtors who took a loan in the past year reporting on average a level of indebtedness of more than 55 percent. For in-depth analyses supportive of substantiating the NCMO decisions on mitigating risks to financial stability as a result of higher household indebtedness, the NCMO recommended the set-up of a working group consisting of representatives from the Ministry of Public Finance and the National Bank of Romania.

The next meeting is scheduled for 11 December 2017.

The National Committee for Macroprudential Oversight was established in virtue of Law No 12/2017 on the macroprudential oversight of the national financial system, thus ensuring that Recommendation ESRB/2011/3 on the macro-prudential mandate of national authorities has been implemented. The NCMO brings together representatives of the National Bank of Romania, the Financial Supervisory Authority, and the Government of Romania. The NCMO's mission is to ensure coordination in the field of macroprudential oversight of the national financial system by setting the macroprudential policy and the appropriate instruments for its implementation.