OESTERREICHISCHE NATIONALBANK
EUROSYSTEM

Panel II: Macroprudential Policy in Austria – Country experience

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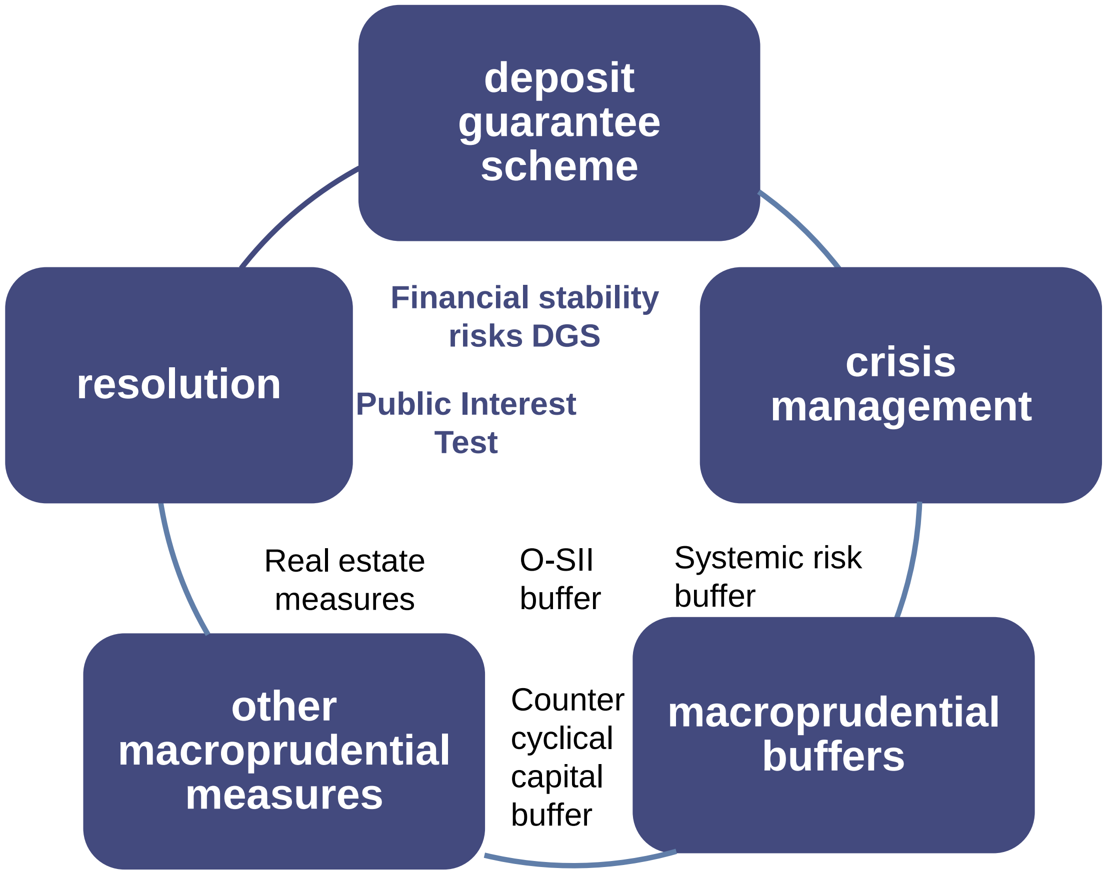
Austria´s integrated approach to macroprudential supervision

Consistency of all financial stability analyses

- Interaction between macroprudential buffers, resolution, too-big-to-fail, deposit guarantee scheme and crisis management
- Consistent ex ante systemic risk analysis with ex post crisis management/resolution



To evaluate the overall financial stability impact of bank failures and to identify systemically important banks is a core function of financial stability analyses.

High level principles: systemic resilience as basis for buffer decisions

High resilience

- Maintain top rating, secure favorable refinancing costs and improve capital adequacy of Austrian banks

Incentives for markets

- Market participants can reduce systemic risk exposure or be subject to capital buffers

Targeted measures

- Different instruments to address various risk channels

A steady hand…

- Building buffers takes time and is sometimes fraught with resistance
- Avoiding reputational effects of revoking buffer decisions that have not been (fully) implemented

Covid-19 : buffer use instead of buffer release

OeNB/FMA explicitly refrained from reducing the combined buffer requirement for Austrian banks to maintain market confidence during the pandemic.

- Active communication to banks / markets to use their buffers – instead of buffer release – in times of crisis with sufficient time to rebuild buffers.
- Austrian banks had EUR 38.3 bn of CET1 at their disposal (thereof ~ EUR 18 bn macroprudential buffers) to absorb the impact of the pandemic.

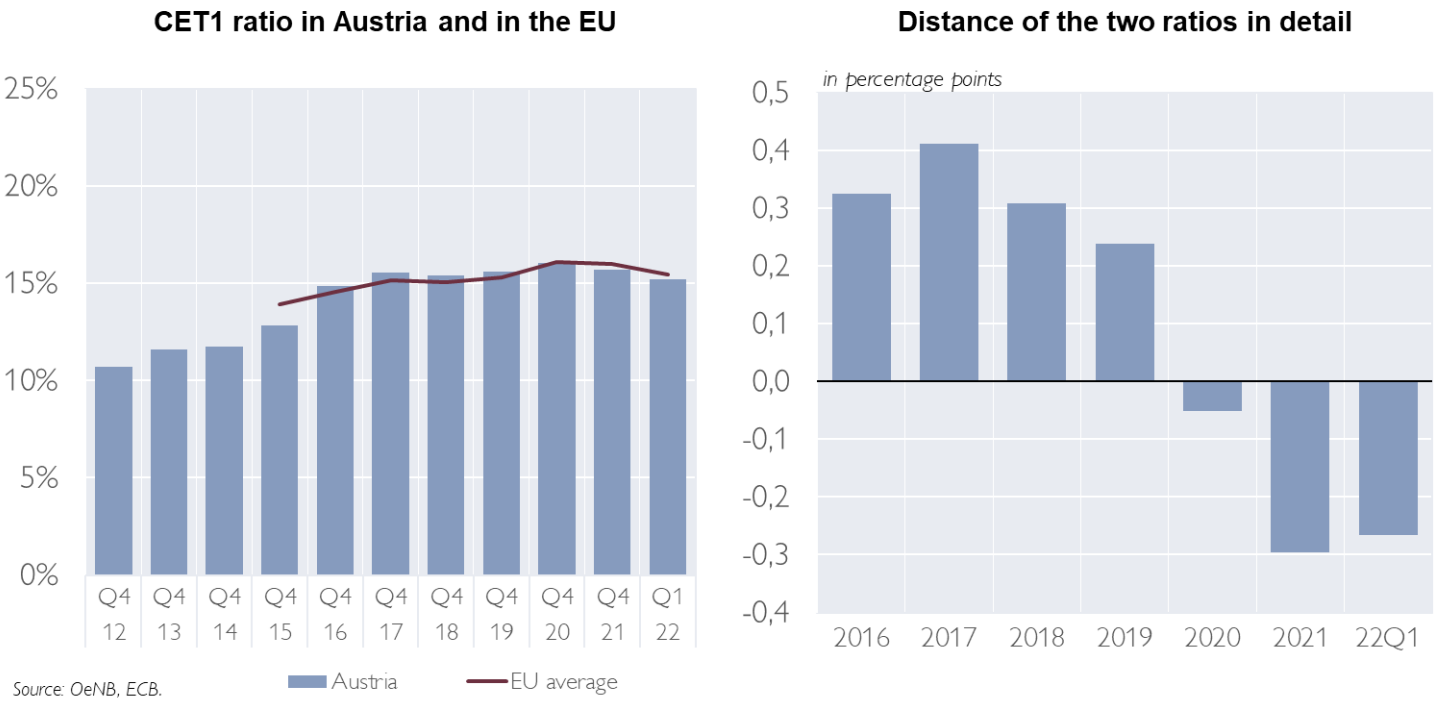
The communication proved to be successful:

- The rating of the Austrian banking system remained stable
- Funding conditions remained excellent
- Credit supply remained strong

Resilience: structural buffers

- Systemic risk buffer (SyRB) and O-SII buffer apply to a subset of banks since 2016
- FMSB announced in September 2022 cumulative SyRB and O-SII buffer rates of up to 2.5%; 0.25% phase-in over the next 2 years effective with 1.1.2023
- Objective: to address heightened systemic risks, improve Austrian banks´ capital ratios also in international comparison and ensure the banking system´s top rating

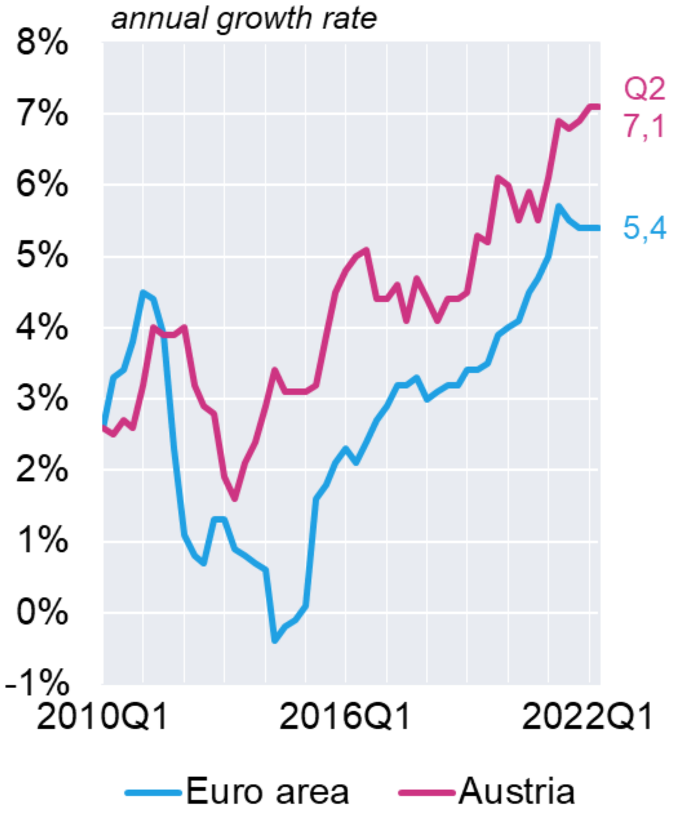
CET1 ratio in Austria and distance to the EU average



Source: OeNB, ECB.

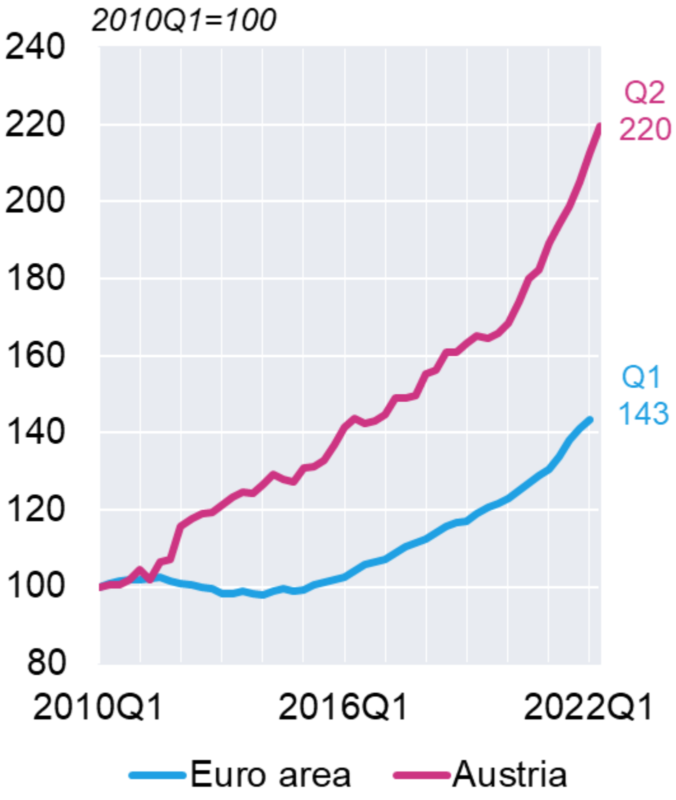
Setting of Austrian buffer decisions: Residential real estate price developments

RRE loans to households



Source: BSI Index of Notional Stocks (SDW).

RRE price development



Quelle: Data Science Service GmbH, TU Wien, Prof. Feilmayr, OeNB, EZB.

Since 2016: enhanced public communication, guidance and BBMs

OENB

September **2016**	FMSB issues a **qualitative communication** on sustainable lending standards • Loan decision based on conservative loan-to-value (LTV) ratios • Level of indebtedness of households, measured by debt-to-income (DTI) and debt-service-to-income (DSTI) ratios, should be such that households are also able to pay back their loans under stress (e.g. by a decline in household income or unexpected payment obligations)
April and June 2018	Enhanced **public communication by OeNB** (presentation of 35th FSR) **and FMA**: • 20% down payment for RRE lending desirable, debt service not more than 30-40% of households net income; maturities at origination should not exceed 35 or 40 years
September 2018	Enhanced communication and **quantitative guidance by FMSB** (17th Meeting)
March 2022	**Recommendation by the FMSB** to the FMA **to introduce BBM**
August **2022**	**BBM** regulation enters **into force** • 90% LTV; 40% DSTI; max. loan majority of 35 years; 20% exemption bucket

CCyB in AT

Credit-GDP-Gap (main indicator):

- Based on **encompassing** credit aggregate from national financial account

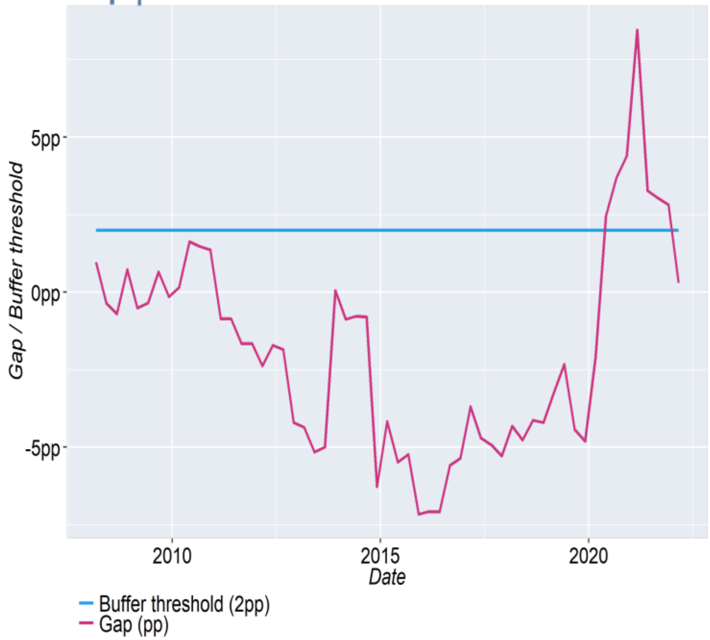
Additional credit-GDP-Gaps:

- Based on MFI (ECB, domestic): loans to NFC and households (incl. NPISH)
- Household debt (incl. NPISH)
- NFC debt

Additional indicators (in part based on ESRB recommendation, ESRB/2014/1):

- Austrian Financial Stability Indictor (AFSI)
- Credit growth
- Credit quality
- Risk weights
- Banking sector: leverage, interest margin
- Real estate sector
- HH and NFC indebtedness
- Credit spreads
- Current account
- Development of insolvencies

Gap | households and firms



Source: OeNB.

Legal background: Austrian law relies on **main indicator**, deviation is possible in **exceptional** cases but requires **strong and well substantiated arguments → burden of proof on authority.**

Going forward: Priorities for the Macroprudential Review 2022

Reduce complexity: by removing regulatory overlaps between capital buffers and minimum requirements (MREL, Leverage Ratio)

Increase resilience: by maintaining current minimum and buffer requirements and building additional capital for crises

BCBS compliance: by sticking to internationally agreed standards (level playing field) and coupling buffer releases with payout restrictions

Danke für Ihre Aufmerksamkeit

Thank you for your attention

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