EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI
President

Mr Brian Hayes
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 2 May 2016

L/MD/16/212

Re: Your letter (QZ-36)

Honourable Member of the European Parliament, dear Mr Hayes,

In your letter passed on by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, to Ms Danièle Nouy, with a cover letter dated 8 April 2016, you raised questions relating to the ECB's tasks in the area of macroprudential policy. The Chair of the Supervisory Board has forwarded your letter to me.

The SSM Regulation assigns responsibility for macroprudential policy to both the national authorities of the SSM participating Member States and the ECB. In particular, the Regulation gives national authorities the power to implement macroprudential measures and the ECB the power to apply, if need be, more stringent measures insofar as the tools used are enshrined in EU legislation. The SSM Regulation empowers the ECB to act if it deems that the measures implemented by national authorities are not sufficient to address emerging systemic or macroprudential risks. This is without prejudice to the mandate of national authorities to address risks in their respective countries. The ECB can also lead the analysis of cross-border effects and can support action being taken to promote reciprocation of national macroprudential policies.

National authorities and the ECB are required to notify one another if they intend to activate a macroprudential policy instrument set out in EU legislation. This coordination mechanism aims to promote sound policy decisions and, at the same time, ensures the flow of information on such policy decisions across the euro area countries.

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Moreover, the ECB and national authorities engage in regular discussions, both at technical and policy levels, about the assessment and monitoring of risks in the euro area as well as on the selection and calibration of macroprudential instruments. The objective of these discussions is to promote the sharing of information, methodologies and best practices across the euro area as well as to foster a consistent assessment of both prevailing risks and the necessary policy action.

Concerning risks related to residential real estate, which you refer to in your question, EU legislation provides for a number of targeted instruments. These include: risk weights, loss given default floors and supervisory measures imposed on institutions with similar risk profiles that are exposed to similar (e.g. real estate) risks. Moreover, broader instruments such as the countercyclical capital buffer and the systemic risk buffer can also be used to contain the risks in question in the event that a significant increase in residential real estate exposures results in excessive aggregate credit growth or presents structural risks to the financial system. The ECB's powers do not extend to the macroprudential measures that are provided for only in national legislation, including borrower-based instruments, such as loan-to-value, loan-to-income and debt service-to-income ratios.

Yours sincerely,

[signed]

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