



# Macroprudential policy

*Jan Kakes*

# Introduction

---

- Introduction
- What is macroprudential policy?
- Policy instruments in CRDIV
- Concluding remarks

# What is macroprudential policy? (1/2)

---

## **Crisis → more attention to macro-financial risks:**

- **Global:** creation FSB, macroprudential tools in Basel III
- **Europe:** creation ESRB, macroprudential tools in CRDIV
- **Netherlands:**
  - DNB macroprudential authority
  - Financial Stability Committee (DNB, AFM, Minfin)

# What is macroprudential policy? (2/2)

---

## **Macroprudential policy ...**

- Focus on systemic risks
- Top-down orientation
- Cyclical versus cross-sectoral dimension
- Implementation through supervisory framework

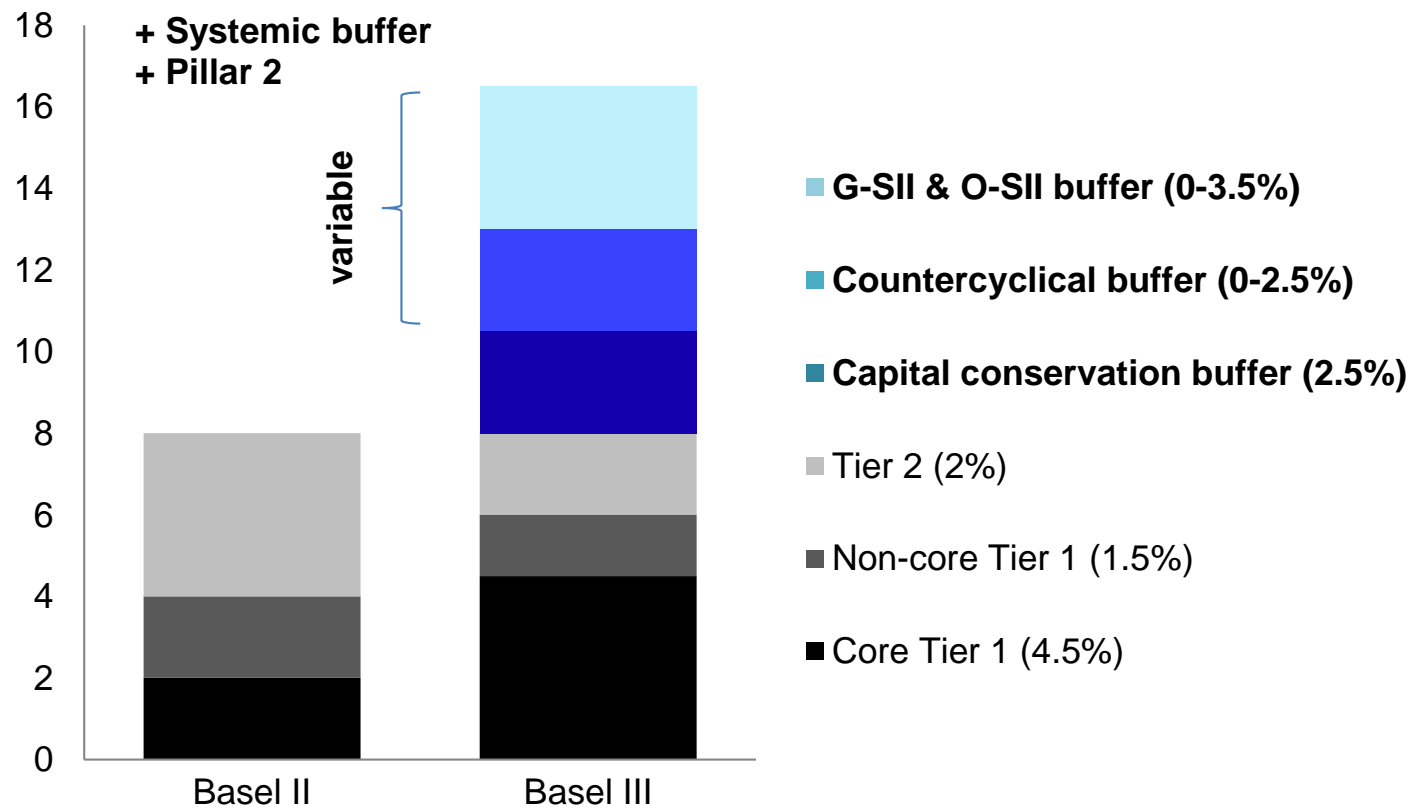
# Policy instruments in CRD IV (1/4)

---

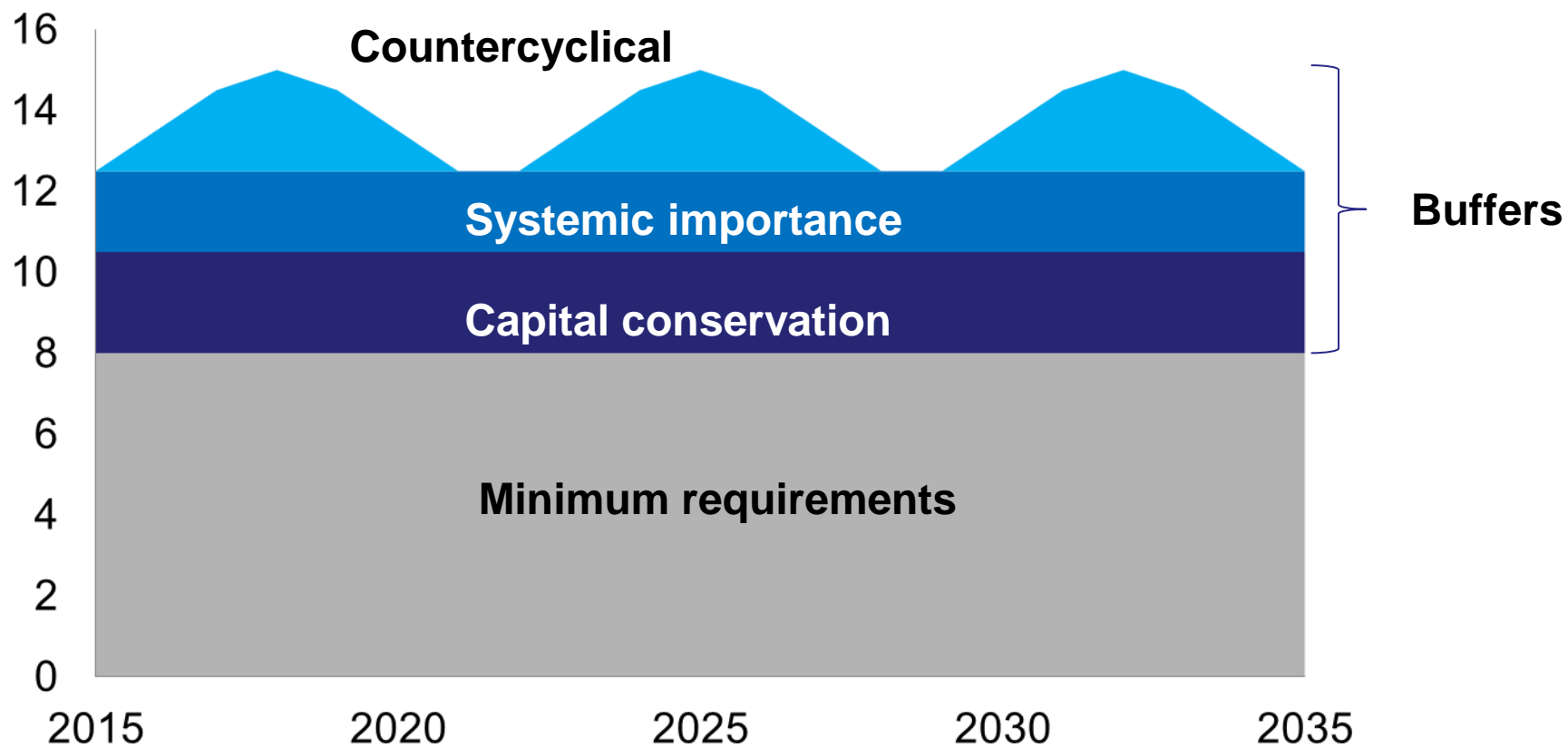
- **Buffers** (CRD 128-142)
  - Capital conservation buffer
  - Countercyclical capital buffer (CCB)
  - Systemic: G-SII, O-SII, systemic risk buffer
- **Real estate exposures** (CRR 124,164)
- **Flexibility package** (CRR 458)
  - Own funds, large exposures, disclosure, capital conservation, liquidity, real estate exposures, intra financial sector exposures
- **Pillar 2**
  - Take into account systemic risk (CRD 97)
  - Apply to group of similar institutions (CRD 103)

# Policy instruments in CRD IV (2/4)

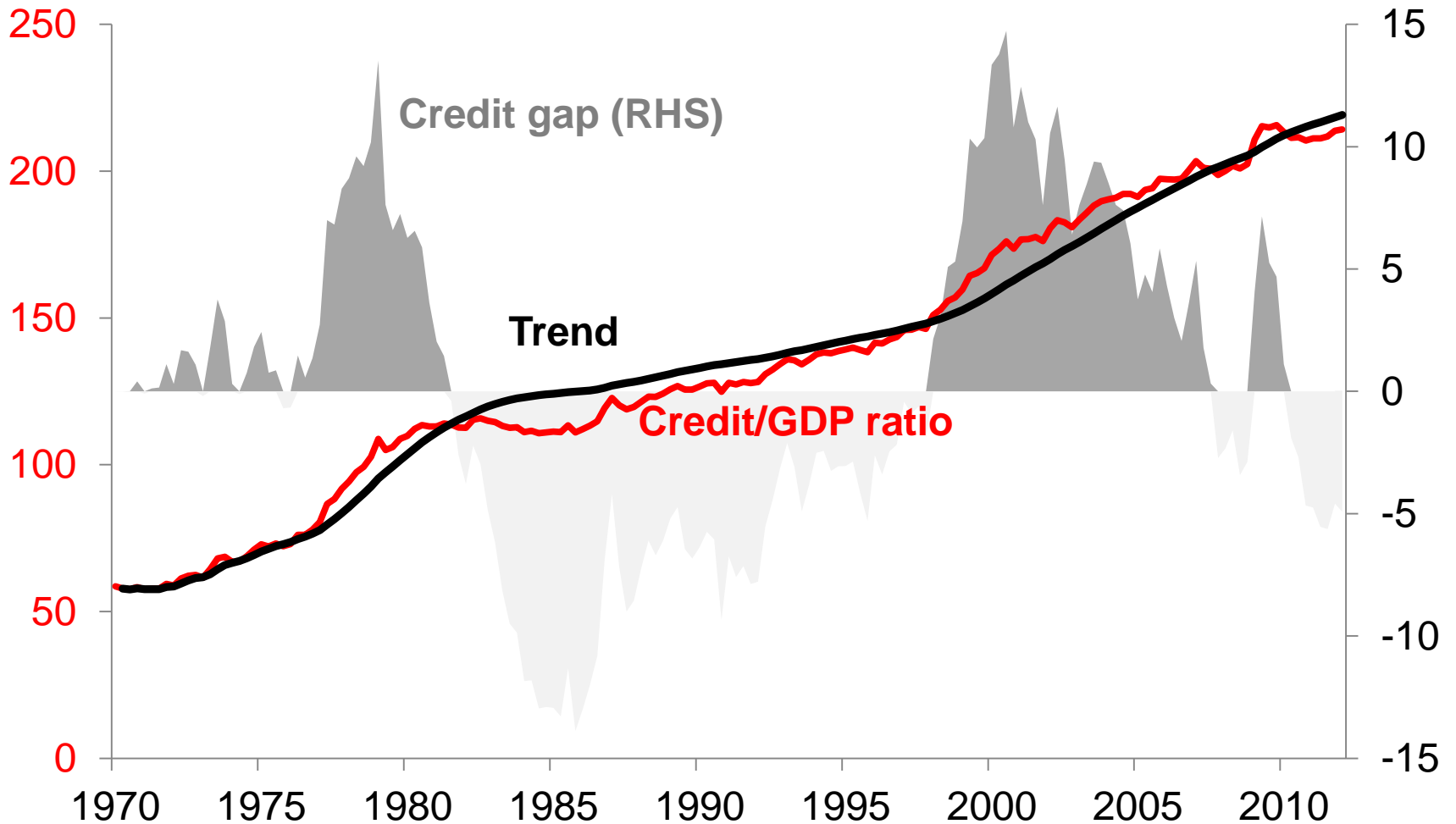
## Total buffer can be substantial



# Policy instruments in CRD IV (3/4)

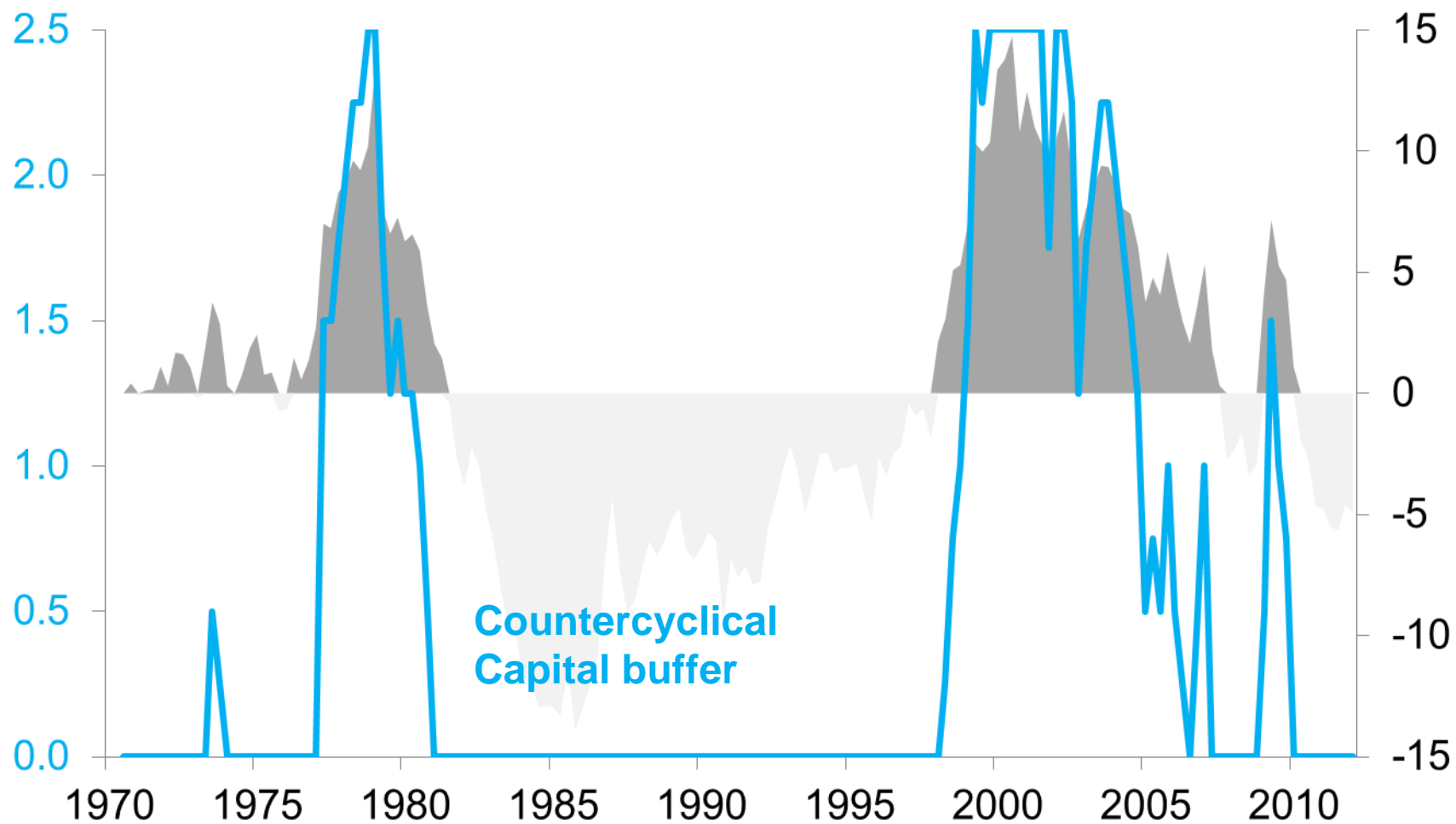


# Illustration: credit gap Netherlands 1970-2012

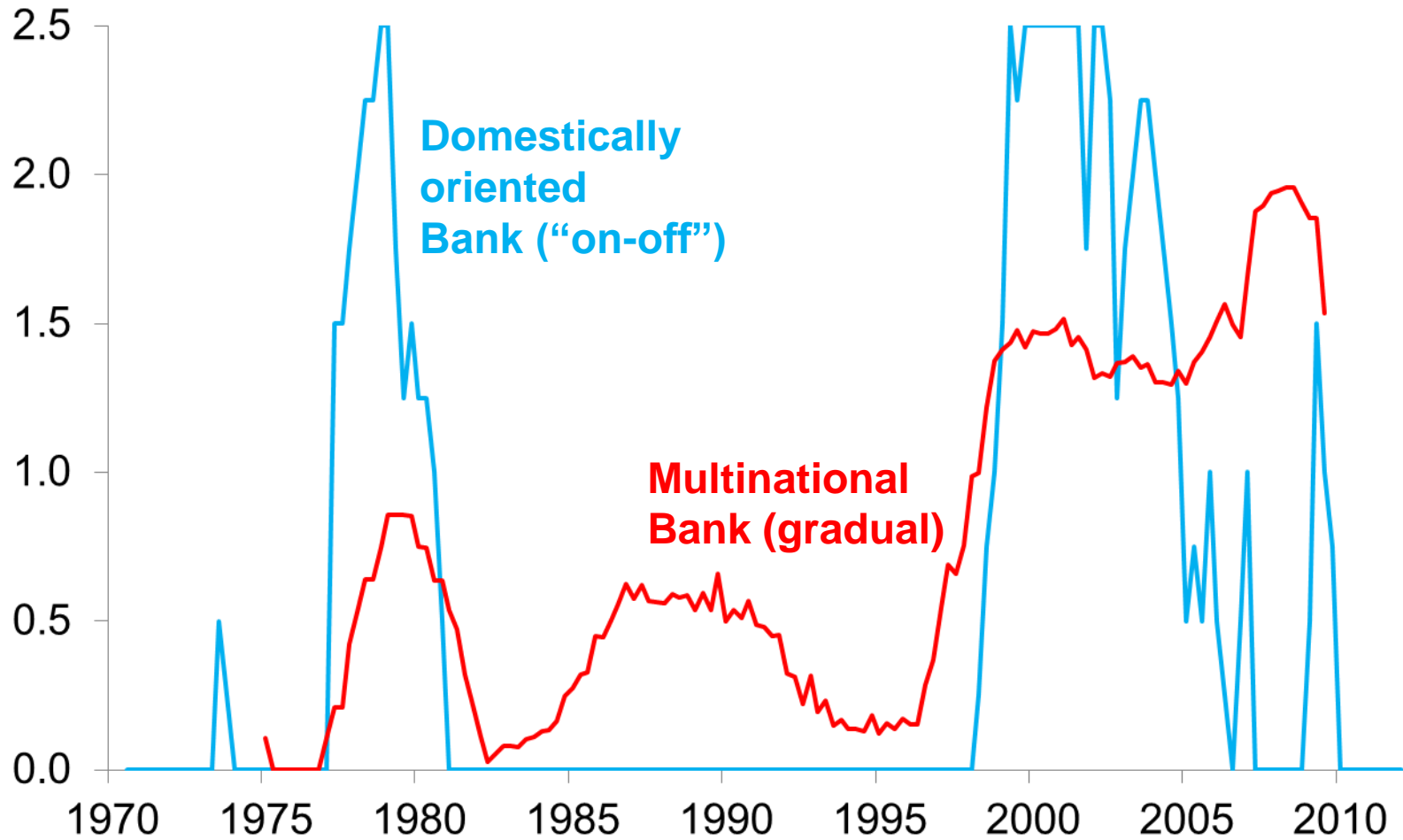




## CCB activated twice: 70s and 00s



## CCB activated twice: 70s and 00s



# Policy instruments in CRD IV (4/4)

---

## Buffer framework:

- Other buffers are extensions of capital conservation buffer (together one buffer)
- High-quality capital (CET1)
- Buffers can be drawn down; CCB can be released.
- If capital < minimum requirements + buffer:
  - Capital conservation plan
  - Restrictions profit distributions

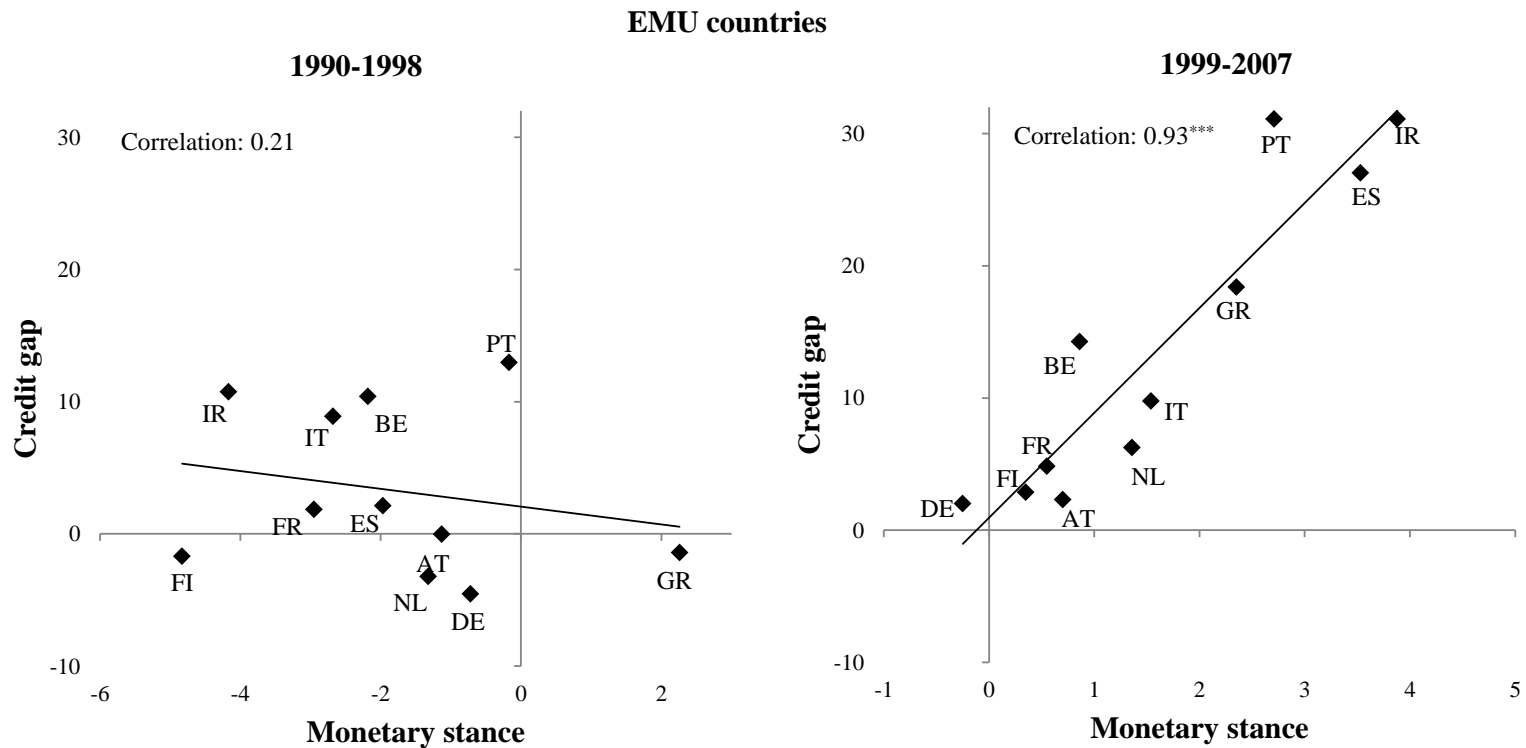
# Implementation (1/2)

---

- National authorities leading role
  - National expertise
  - Financial stability responsibilities
- International coordination and reciprocity
  - CCB: full reciprocity up to 2,5% buffer add-on.
  - Other measures: European authorities may reject national measures
  - SSM: ECB may further tighten national measures

# Implementation (2/2)

## EMU : domestic imbalances increasingly relevant



# Concluding remarks

---

- Some instruments (e.g. G-SII and O-SII buffer) activated soon, others (CCB) probably not soon
- New type of policy → need to build experience