



**BANK OF GREECE**  
**EUROSYSTEM**

THE EXECUTIVE COMMITTEE

Meeting 235/07.10.2024

Subject 1: Application of the countercyclical capital buffer in Greece – Repeal of Executive Committee Act 202/1/11.03.2022

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THE EXECUTIVE COMMITTEE OF THE BANK OF GREECE, having regard to:

- (a) Articles 28 and 55A of the Statute of the Bank of Greece;
- (b) Law 4261/2014 “Access to the activity of credit institutions and prudential supervision of credit institutions (transposition of Directive 2013/36/EU), repeal of Law 3601/2007, and other provisions” (Government Gazette A 107), in particular Article 127 thereof;
- (c) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.06.2013);
- (d) Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013), in particular Article 5(1) thereof;
- (e) Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (OJ L 141, 14.05.2014), in particular Article 104 thereof;
- (f) Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (OJ L 331, 15.12.2010);
- (g) Recommendation ESRB/2011/3 of the European Systemic Risk Board of 22 December 2011 on the macro-prudential mandate of national authorities (OJ C 41, 14.02.2012);



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- (h) Recommendation ESRB/2013/1 of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (OJ C 170, 15.06.2013);
- (i) Recommendation ESRB/2014/1 of the European Systemic Risk Board of 18 June 2014 on guidance for setting countercyclical capital buffer rates (OJ C 293, 02.09.2014);
- (j) the publication of the Bank for International Settlements and the Basel Committee on Banking Supervision entitled “Guidance for national authorities operating the countercyclical capital buffer”, December 2010;
- (k) the publication of the European Systemic Risk Board entitled “The ESRB handbook on operationalising macroprudential policy in the banking sector”, 11 April 2018;
- (l) Bank of Greece Executive Committee Act 53/14.12.2015 “Definition of a policy strategy for the exercise of the macro-prudential tasks of the Bank of Greece” (Government Gazette B 2704);
- (m) Country Report No. 2024/023 of the International Monetary Fund entitled “Greece Staff Report for the 2023 Article IV Consultation”, 15 December 2023;
- (n) the publication of the Basel Committee on Banking Supervision entitled “Newsletter on positive cycle-neutral countercyclical capital buffer rate”, 5 October 2022;
- (o) the publication of the European Central Bank (ECB) entitled “The importance of being positive: costs and benefits of a positive neutral rate for the countercyclical capital buffer”, ECB Macroprudential Bulletin 24, 24 June 2024;
- (p) the ECB Governing Council statement on macroprudential policies dated 28 June 2024;
- (q) the relevant explanatory memorandum of the Bank of Greece Financial Stability Department dated 04.10.2024; and
- (r) the fact that no expenditure shall be incurred by the Government Budget as a result of the provisions of this Act,

HEREBY DECIDES:

#### **Chapter A: Assessment of cyclical systemic risks and the appropriateness of the countercyclical capital buffer rate**

1. The Bank of Greece assesses, on a quarterly basis, the intensity of cyclical systemic risks and the appropriateness of the countercyclical capital buffer rate in Greece, taking into account, inter alia, the “standardised credit-to-GDP gap” ratio. This ratio is defined in the



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European Systemic Risk Board Recommendation (ESRB/2014/1) dated 18 June 2014 and is calculated in accordance with the provisions of Part I of the annex to the relevant ESRB Recommendation. The standardised credit-to-GDP gap reflects the deviation of the credit-to-GDP ratio from its long-term trend and is expressed in percentage points.

2. The credit-to-GDP ratio is calculated as follows:
  - (a) “credit” refers to the aggregate of short-term and long-term debt securities and loans, as referenced in the liabilities within the financial accounts of the private non-financial sector, as published by the Bank of Greece.
  - (b) “GDP” refers to the aggregate value of the four most recent quarterly observations of GDP, calculated in nominal terms without seasonal adjustment, as published by the Hellenic Statistical Authority (ELSTAT).
  - (c) The sample of the above-mentioned points (a) and (b) spans from the fourth quarter of 1997 to the most recent quarter available prior to the setting of the relevant countercyclical capital buffer rate.
3. The long-term trend of the credit-to-GDP ratio is calculated by applying a Hodrick-Prescott filter to the historical data (one-sided) and setting the smoothing parameter ( $\lambda$ ) to 400,000, in accordance with the provisions set out in part I of the annex to ESRB Recommendation ESRB/2014/1.
4. The Bank of Greece has selected the benchmark buffer rate specified in paragraph 3a of Recommendation B of Recommendation ESRB/2014/1 as the 'buffer guide', which is calculated in accordance with the provisions set out in part II of the annex to the above Recommendation.
5. In addition to the standardised credit-to-GDP gap, the Bank of Greece, in accordance with Recommendation C of Recommendation ESRB/2014/1, monitors additional variables that indicate the emergence and build-up of cyclical systemic risks. In particular, the following variables are monitored:
  - a. Measures of potential overvaluation of property prices:
    - i. Residential real estate price growth
    - ii. Commercial real estate price growth (offices only)
    - iii. Commercial real estate price growth (retail only)



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- b. Measures of credit developments:
  - i. Credit growth to the domestic private sector
  - ii. Credit to the domestic private sector to gross domestic product (GDP)
  - iii. Credit growth to households
  - iv. Credit growth to non-financial corporations (NFCs)
- c. Measure of external imbalances:
  - i. Current account balance to GDP
- d. Measures of the strength of bank balance sheets:
  - i. Net interest margin (NIM)
  - ii. Growth of risk-weighted assets
  - iii. Leverage ratio
  - iv. Loan-to-Deposit ratio
- e. Measures of private sector indebtedness:
  - i. Individuals' and private non-profit institutions' debt-to-income ratio
  - ii. Credit to non-financial corporations to GDP
  - iii. Debt-service-to-income ratio at origination (DSTI-O) for residential real estate loans (RRE)
- f. Measures of potential mispricing of risk:
  - i. Real growth of the ATHEX composite price index
  - ii. Real growth of the FTSE/ ATHEX banks index.

**Chapter B: Setting the countercyclical capital buffer rate in Greece**

1. The Bank of Greece sets or adjusts the countercyclical capital buffer rate, if deemed necessary. When setting the countercyclical capital buffer rate in Greece, in accordance with the methodology outlined in Chapter A of this Act, the Bank of Greece also considers the intensity of cyclical systemic risks at each phase of the economic and financial cycle (see Annex), as well as the target rate for the positive neutral rate of the countercyclical capital buffer in a standard risk environment, in accordance with the provisions of Chapter C.



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2. In accordance with Article 127(4) of Law 4261/2014, the countercyclical capital buffer rate, expressed as a percentage of the total risk exposure amount, calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013, of institutions that have credit exposures in Greece, shall range between 0% and 2.5%, calibrated in steps of 0.25 percentage points or multiples of 0.25 percentage points. For the purpose set out in Article 130(2) of Law 4261/2014, the Bank of Greece may set a countercyclical capital buffer rate in excess of 2.5% of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013, where justified on the basis of the considerations set out in Article 127(3) of Law 4261/2014.
  
3. Where the Bank of Greece sets the countercyclical capital buffer rate above zero for the first time, or where, thereafter, the Bank of Greece increases the prevailing countercyclical capital buffer rate setting, it shall also decide the date from which the institutions must apply that increased buffer for the purposes of calculating their institution-specific countercyclical capital buffer. That date shall be no later than 12 months after the date when the increased buffer setting is announced in accordance with Article 127(7) of Law 4261/2014. If the date is less than 12 months after the increased buffer setting is announced, that shorter deadline for application shall be justified on the basis of exceptional circumstances. When the Bank of Greece reduces the existing countercyclical capital buffer rate, it shall also decide an indicative period during which no increase in the buffer is expected. That indicative period shall not bind the Bank of Greece.

**Chapter C: Setting the target rate for the positive neutral rate of the countercyclical capital buffer in a standard risk environment**

1. By this Act, the Bank of Greece adopts in Greece a positive neutral rate for the countercyclical capital buffer (PNR CCyB) to support the accumulation of a sufficient capital buffer under normal conditions, i.e. prior to the buildup of cyclical systemic risks, that can be released in response to abrupt shocks, regardless of the phase of the economic and financial cycle.
  
2. The target rate for the positive neutral rate of the countercyclical capital buffer in a standard risk environment is set at 0.5%, calibrated in steps of 0.25 percentage points or multiples



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of 0.25 percentage points, in accordance with the provisions of Article 127(4) Law 4261/2014.

3. The target rate for the positive neutral rate of the countercyclical capital buffer in a standard risk environment shall be taken into account in setting the countercyclical capital buffer rate, in accordance with the expert judgment of the Bank of Greece.

**Chapter D: Items to be published on a quarterly basis**

**I. Items to be published on a quarterly basis when the countercyclical capital buffer rate in Greece remains unchanged**

Where the countercyclical capital buffer rate in Greece remains unchanged, the Bank of Greece shall publish on a quarterly basis the following information on its website:

- (a) the applicable countercyclical capital buffer rate;
- (b) the relevant credit-to-GDP-ratio and the standardised credit-to-GDP gap;
- (c) the buffer guide;
- (d) the justification for the countercyclical capital buffer rate.

**II. Items to be announced when the countercyclical capital buffer rate in Greece is modified**

1. Where the Bank of Greece sets the countercyclical capital buffer rate above zero for the first time, or where, thereafter, the Bank of Greece increases the prevailing countercyclical capital buffer rate, it shall announce the following:
  - (a) the applicable countercyclical capital buffer rate;
  - (b) the credit-to-GDP-ratio and the standardised credit-to-GDP gap;
  - (c) the buffer guide;
  - (d) the justification for that buffer rate;
  - (e) the date from which the institutions shall apply that increased buffer rate for the purposes of calculating their institution-specific countercyclical capital buffer;



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- (f) where the date referred to in point (e) is less than 12 months after the date of the publication under points (a) to (d) of this paragraph, a reference to the exceptional circumstances that justify that shorter deadline for application.
2. Where the Bank of Greece decreases the prevailing countercyclical capital buffer rate, it shall announce the following:
- (a) the applicable countercyclical capital buffer rate;
  - (b) the credit-to-GDP-ratio and the standardised credit-to-GDP gap;
  - (c) the buffer guide;
  - (d) the justification for that buffer rate, and;
  - (e) the indicative period during which no increase in the buffer rate is expected, together with a justification for that period. That indicative period shall not bind the Bank of Greece.

**Chapter E – Repealed provisions**

As from the entry into force of this Act, the provisions of Executive Committee Act (ECA) 202/1/11.03.2022 of the Bank of Greece, entitled “Application of the countercyclical capital buffer rate in Greece – Repeal of ECA 55/18.12.2015”, shall be repealed.

This Act shall be published in the Government Gazette and posted on the Bank of Greece website.

THE SECRETARY

THE MEMBERS

THE CHAIRMAN

Yannis Stournaras

True and Exact Copy,

Athens, 14.10.2024

The Secretary

[signed]

I. Pantou



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#### Annex

The use of the countercyclical capital buffer varies depending on the intensity of the cyclical systemic risks, as depicted in the four phases of the economic and financial cycle, as follows (see Figure 1):

- (a) Recovery period: During the phase in which the economy or the financial system recovers from severe endogenous or exogenous shocks, or in the wake of a systemic crisis, the countercyclical capital buffer rate is set at zero to encourage the supply of credit, thereby contributing to the smooth flow of financing to the real economy. The countercyclical capital buffer rate remains at zero until the intensity of cyclical systemic risks is assessed to be at a standard level.
- (b) Standard risk environment: The setting of the countercyclical capital buffer rate above zero commences during the phase of the economic and financial cycle in which the level of risk is at a standard level, i.e. when risks are neither subdued nor elevated. When standard risk conditions persist, i.e. prior to the build-up of cyclical systemic risks, there is a gradual increase in the countercyclical capital buffer rate towards achieving the target rate for the positive neutral rate in a standard risk environment, the latter determined by the expert judgment of the Bank of Greece. The application of a positive neutral rate for the countercyclical capital buffer in a standard risk environment helps build a sufficient capital buffer under normal conditions, i.e. prior to the build-up of cyclical systemic risks, that can be released in response to abrupt shocks that are not related to the phase of the economic and financial cycle (e.g. a global health crisis, such as the COVID-19 pandemic).
- (c) Cyclical risk build-up environment/upward phase: Once the cyclical systemic risks assessment by the Bank of Greece indicates an accumulation of cyclical systemic risks, the Bank of Greece decides, at its discretion, to increase the countercyclical capital buffer above the target rate for the positive neutral rate of the countercyclical capital buffer in a standard risk environment with a view to preventing or mitigating the build-up of cyclical systemic risks and preventing and mitigating excessive credit expansion and leverage during the upward phase of the economic and financial cycle.
- (d) Emergence of shocks/downturn phase: Upon the emergence of shocks or during the downturn phase of the cycle, the Bank of Greece decides, depending on the severity and nature of the shocks, whether to partially or fully release (by setting to zero the



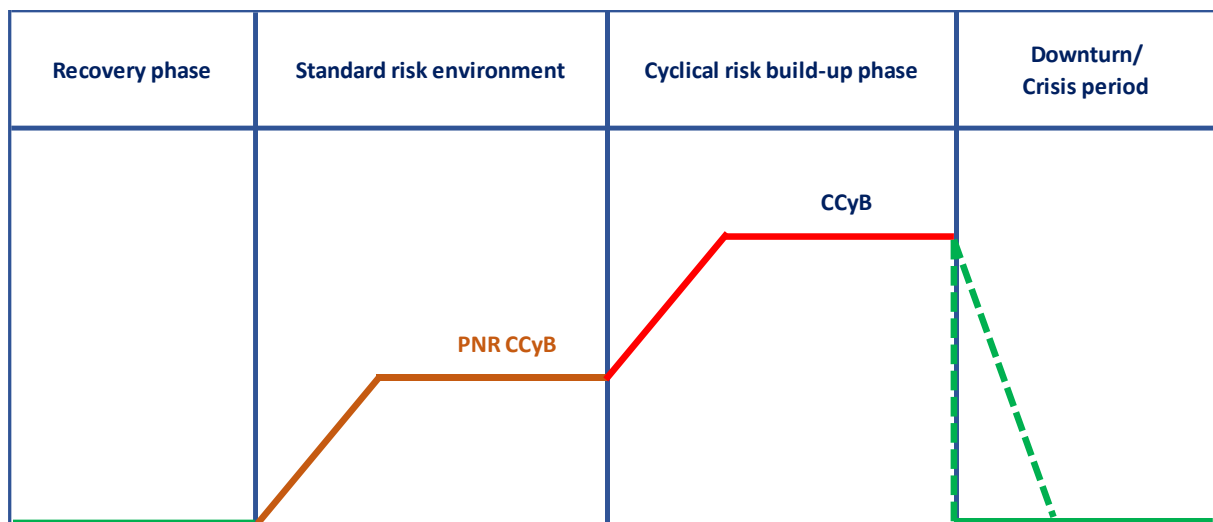


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countercyclical capital buffer rate) the countercyclical capital buffer to encourage the supply of credit, thereby contributing to the smooth flow of financing to the real economy. Along with this decision, the Bank of Greece also sets an indicative, non-binding period during which the countercyclical capital buffer rate is not expected to increase. The partial or full release of the countercyclical capital buffer takes immediate effect.

**Figure 1: Stylised representation of the accumulation and release of the countercyclical capital buffer depending on the severity of cyclical systemic risks across the four phases of the economic and financial cycle**



Source: Bank of Greece.

THE SECRETARY

THE MEMBERS

THE CHAIRMAN  
Yannis Stournaras

True and Exact Copy,  
Athens, 14.10.2024  
The Secretary  
[signed]  
I. Pantou