



BANK OF GREECE
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THE EXECUTIVE COMMITTEE

EXECUTIVE COMMITTEE ACT 53/14.12.2015

Subject: Definition of a policy strategy for the exercise of the macro-prudential tasks of the Bank of Greece

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

- a) Articles 2, 55A and 55C of the Statute of the Bank of Greece, as currently in force;
- b) Law 4261/2014 re: “Access to the activity of credit institutions and prudential supervision of credit institutions and investment firms (transposition of Directive 2013/36/EU), repeal of Law 3601/2007, and other provisions” (Government Gazette A 107);
- 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 investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1);
- 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, p. 63), in particular Article 5 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, 14.5.2014, p. 1), in particular Articles 101-105 thereof;



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- 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, p. 1);
- 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, 14.2.2012, p. 1);
- 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, 15.6.2013, p. 1);
- i) Recommendation ESRB/2014/1 of the European Systemic Risk Board of 18 June 2014 on guidance for setting countercyclical buffer rates (OJ C 293, 2.9.2014, p. 1);
- j) the European Systemic Risk Board publication of 3 March 2014 titled “ESRB Handbook on Operationalising Macro-prudential Policy in the Banking Sector”;
- k) the Monetary Policy – Interim Report 2014 of the Bank of Greece, in particular Special Feature VI.3 thereof entitled: “The macro-prudential mandate of the Bank of Greece”;
- l) the need to define a policy strategy for the exercise of the macro-prudential tasks of the Bank of Greece;
- m) the fact that no expenditure shall be incurred by the Government Budget as a result of the provisions of the present Act;

HAS DECIDED AS FOLLOWS:



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A policy strategy for the exercise of the macro-prudential tasks of the Bank of Greece is hereby defined as follows:

I. Definitions

For the purposes of the present Act, the following definitions shall apply:

- a) Gross external debt: the liabilities owed to non-residents by the Greek economy as a whole (public and private sector), and, more specifically, by the general government, the Bank of Greece, credit institutions and the other sectors of the Greek economy.
- b) Efficiency of a macro-prudential instrument: the efficiency of the instrument as defined in Section 2 of Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1).
- c) Effectiveness of a macro-prudential instrument: the effectiveness of the instrument as defined in Section 2 of Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1).
- d) Insurance undertaking: an insurance undertaking as defined in Article 3 paragraph 1(5) of Law 4261/2014.
- e) Third-country insurance undertaking: a third-country insurance undertaking as defined in Article 13 (3) of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II);
- f) Private sector: enterprises and households, in particular insurance undertakings, other financial intermediaries, non-financial corporations, self-employed,



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farmers and sole proprietors, as well as individuals and private non-profit institutions serving households.

- g) Current account balance: the sum of the balances (receipts minus payments) on goods, services, primary income and secondary income. As of the reference month January 2015, the Bank of Greece has adapted its methodology for compiling the current account of Greece's balance of payments to the recommendations and definitions of the International Monetary Fund (IMF), as specified in the latest (6th) edition of the Balance of Payments Manual (IMF-BPM6, 2009).
- h) Covered bond: an instrument referred to in Article 61 paragraph 4 (b) of Law 4099/2012 (Government Gazette A 250), (Article 52 paragraph 4 of Directive 2009/65/EC).
- i) Consumer loans: any type of exposures to households for covering consumer needs.
- j) Central counterparty: a central counterparty as defined in Article 3 paragraph 1(31) of Law 4261/2014.
- k) Macro-prudential authority: the macro-prudential authority as defined in Section 2 of Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1). The designated macro-prudential authority for Greece is the Bank of Greece, pursuant to Article 55A of its Statute, as currently in force.
- l) Non-performing exposures: all non-performing exposures under Commission Implementing Regulation (EU) 2015/227 of 9 January 2015 amending Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions



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according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

- m) Monetary Financial Institutions (MFI): the Bank of Greece, credit institutions authorised in Greece and money market funds.
- n) Credit institution: a credit institution as defined in Article 3 paragraph 1(1) of Law 4261/2014.
- o) Mortgage loans: exposures to households for the acquisition or repair of residential property, secured by collateral of residential property.
- p) Systemic risk: systemic risk as defined in Article 3, paragraph 1(10) of Law 4261/2014. There are two dimensions of systemic risk:
 - i. the structural dimension of systemic risk, as defined in Section 2 of Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1); and
 - ii. the cyclical dimension of systemic risk, as defined in Section 2 of Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1).
- q) Securitisation: securitisation as defined in Article 3, paragraph 1(50) of Law 4261/2014.
- r) Senior debt: any debt that has a higher priority for repayment in the event of liquidation.
- s) Credit to the private sector: MFI loans to the private sector and MFI holdings of corporate bonds, securitised loans and securitised corporate bonds.
- t) Financial institution: a financial institution as defined in Article 2(a) of Regulation (EU) No. 1092/2010. This definition includes any undertaking



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within the scope of the legislation referred to in Article 1(2) of Regulation (EU) No 1093/2010, Regulation (EU) No 1094/2010 and Regulation (EU) No 1095/2010, as well as any other undertaking or entity whose principal activity is of a similar nature.

- u) Financial system: the financial system as defined in Article 2(b) of Regulation (EU) No. 1092/2010. This definition encompasses all financial institutions, markets, products and market infrastructures.

II. Macro-prudential policy objectives

1. The Bank of Greece, according to Article 55A of its Statute, as currently in force, “...shall exercise, *inter alia*, its macro-prudential tasks with a view to strengthening the resilience of the financial system and decreasing the build-up of systemic risks. In particular, the Bank shall identify, monitor and assess such risks and adopt the measures provided for by law...”. The ultimate objective of the macro-prudential policy (macro-prudential tasks) of the Bank of Greece is to contribute to safeguarding the stability of the financial system as a whole, by strengthening its resilience and reducing the build-up of systemic risks, thereby ensuring the financial sector’s sustainable contribution to economic growth. In this context, the Bank of Greece seeks to prevent and mitigate both the cyclical and structural dimensions of systemic risk.
2. In pursuing the ultimate objective of macro-prudential policy, the Bank of Greece seeks to achieve intermediate objectives, relating to the national financial system as a whole. These intermediate objectives include:



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- a) ensuring an appropriate level of credit growth and leverage, including preventing and mitigating any excessive credit growth and leverage;
 - b) preventing and mitigating excessive maturity mismatch and market illiquidity;
 - c) limiting direct and indirect exposure concentrations;
 - d) limiting the systemic impact of misaligned incentives with a view to reducing moral hazard;
 - e) strengthening the resilience of financial infrastructures.
3. The Bank of Greece shall examine on an ongoing basis the need to define further intermediate objectives of macro-prudential policy, taking into consideration developments in the structural characteristics of the financial system and the emergence of new types of systemic risk.

III. Macro-prudential policy instruments

1. The Bank of Greece shall pursue the ultimate and intermediate macro-prudential objectives using the macro-prudential instruments available to it under the provisions of the legislation in force. These instruments include:
- a) the countercyclical capital buffer within the meaning of Articles 123 and 127-130 of Law 4261/2014;
 - b) the buffer of global systemically important institutions (G-SII buffer) within the meaning of Article 124 of Law 4261/2014;
 - c) the buffer of other systemically important institutions (O-SII buffer) within the meaning of Article 124 of Law 4261/2014;



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- d) the systemic risk buffer within the meaning of Articles 125-126 of Law 4261/2014;
- e) the measures envisaged by Article 458 of Regulation (EU) No 575/2013, subject to the requirements specified therein; such measures shall apply to institutions (as defined in Article 4 of that Regulation) authorised in Greece or a subset of those institutions and relate to:
 - i. the level of own funds laid down in Article 92 of the aforementioned Regulation;
 - ii. the requirements for large exposures laid down in Articles 392 and 395-403 of that Regulation;
 - iii. the public disclosure requirements laid down in Articles 431-455 of that Regulation;
 - iv. the level of the capital conservation buffer laid down in Article 122 of Law 4261/2014;
 - v. the liquidity requirements laid down in Part Six of the aforementioned Regulation;
 - vi. risk weights for targeting asset bubbles in the residential and commercial property sector, or intra-financial sector exposures.
- f) The measures provided for by Article 124 paragraph 2 and Article 164 paragraph 5 of Regulation (EU) No 575/2013.
- g) Any instrument (measure) made available to the Bank of Greece by legislation and aimed at the achievement of the ultimate and/or intermediate objectives of macro-prudential policy.

The Bank of Greece shall take the aforementioned measures in its capacity as the national competent authority or, as appropriate, the national designated



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authority within the meaning of Law 4261/2014 and Regulation (EU) No. 575/2013.

2. The Bank of Greece shall examine on an ongoing basis the adequacy of the macro-prudential instruments (measures) available to it, taking into consideration their effectiveness and efficiency for achieving the ultimate and the intermediate objectives of macro-prudential policy.

IV. Framework for the conduct of macro-prudential policy

1. The conduct of macro-prudential policy by the Bank of Greece shall include the following four stages:
 - a) the risk monitoring stage, where relevant indicators help to detect vulnerabilities in the financial system (relative to the intermediate objectives of macro-prudential policy) and to identify the associated systemic risks;
 - b) the instrument selection and calibration stage, with a view to preventing and mitigating the relevant systemic risks and achieving the ultimate and the intermediate objectives of macro-prudential policy;
 - c) the implementation stage, where decisions are made on the use (activation, calibration, deactivation) of the appropriate macro-prudential instruments for the achievement of the ultimate and the intermediate objectives of macro-prudential policy; and
 - d) the evaluation stage, where the impact of macro-prudential instruments is assessed and relevant conclusions are drawn.



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2. The Bank of Greece shall review the appropriateness and adequacy of its macro-prudential policy framework, when deemed necessary, taking into consideration the conclusions of the evaluation of macro-prudential policy implementation, developments in the structural characteristics of the national and the European financial system, the international macro-prudential policy trends and the institutional framework as applicable from time to time.

V. Monitoring risks to the financial system

The Bank of Greece shall monitor risks to the financial system through indicators related to each intermediate objective of macro-prudential policy, including but not limited to:

1. Indicators for monitoring credit growth and leverage
 - a) Monitoring credit developments
 - i. Growth of credit to the domestic private sector: monitored on a solo basis and defined as the percentage change in the outstanding amount of MFI credit to the domestic private sector, as published by the Bank of Greece.
 - ii. Credit to the domestic private sector to gross domestic product (GDP): monitored on a solo basis and defined as the ratio of the outstanding amount of MFI credit to the domestic private sector to the value of GDP at current prices, as published by the Bank of Greece and the Hellenic Statistical Authority (ELSTAT), respectively.



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- iii. Credit-to-GDP gap: defined as the deviation of the indicator “Credit to the domestic private sector to gross domestic product” from its long-term trend.
 - iv. Standardised credit-to-GDP gap: defined as specified in Section 2 of Recommendation of the European Systemic Risk Board of 18 June 2014 on guidance for setting countercyclical buffer rates (ESRB/2014/1) and calculated in accordance with the provisions of Part I of the Annex to that Recommendation.
- b) Monitoring potential overvaluation of property prices
- i. Commercial real estate price growth rate: defined as the percentage change in the estimated market values of commercial property (offices and stores) in Greece, as published by the Bank of Greece.
 - ii. Commercial real estate price growth rate gap: defined as the deviation of the index “Commercial real estate price growth rate” from its long-term trend.
 - iii. Residential real estate price growth rate: defined as the percentage change in the estimated market values of apartments in Greece, as published by the Bank of Greece.
 - iv. Residential real estate price growth rate gap: defined as the deviation of the index “Residential real estate price growth rate” from its long-term trend.
- c) Monitoring external imbalances



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- i. Current account balance to GDP: defined as the ratio of the current account balance to GDP at current prices, as published by the Bank of Greece and ELSTAT, respectively.
- ii. Gross external debt to GDP: defined as the ratio of gross external debt to GDP at current prices, as published by the Bank of Greece and ELSTAT, respectively.

d) Monitoring the strength of credit institutions' balance sheets

- i. Loan loss provision coverage ratio: monitored on a solo basis for credit institutions authorised by the Bank of Greece and defined as the ratio of accumulated provisions for credit risk to total non-performing exposures.
- ii. Net interest margin (NIM): monitored on a solo basis for credit institutions authorised by the Bank of Greece; defined as the ratio of net interest income (i.e. interest income minus interest expenses) to average assets.
- iii. Leverage ratio: monitored on a consolidated basis for credit institutions authorised by the Bank of Greece; defined as specified in Article 429 of Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and by Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio.



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e) Monitoring private sector debt burden

- i. Individuals' and private non-profit institutions' debt-to-income ratio: monitored on a solo basis and defined as the ratio of the outstanding amount of (housing, consumer and other) MFI loans to individuals and private non-profit institutions to the value of their gross disposable income, as published by the Bank of Greece and ELSTAT, respectively.
- ii. Credit to non-financial corporations to GDP: monitored on a solo basis and defined as the ratio of the outstanding amount of MFI credit to non-financial corporations (including self-employed, farmers and sole proprietors) to the value of GDP at current prices, as published by the Bank of Greece and ELSTAT, respectively.

f) Monitoring potential mispricing of risk

- i. Evolution of the Composite Price Index of the Athens Exchange.
- ii. Evolution of the sectoral index "FTSE/ATHEX Banks" of the Athens Exchange.
- iii. Yield spread (in basis points) between Greek and German ten-year government benchmark bonds.

g) Monitoring stress in credit institutions' funding markets

Indicatively, bank credit default swap (CDS) premia.

2. Indicators for monitoring asset/liability maturity mismatches and market liquidity



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- i. Loans-to-deposits ratio (LTD ratio): monitored on a solo basis for credit institutions authorised by the Bank of Greece and defined as the ratio of total outstanding loans and advances to customers after provisions to total customer deposits;
 - ii. Issuance of marketable securities of credit institutions: the issuance of senior debt, covered bonds and securitised loans is monitored on a consolidated basis for credit institutions authorised by the Bank of Greece. Securities issued and held by credit institutions themselves for the purposes of Eurosystem refinancing operations are not included;
 - iii. Issuance of marketable corporate bonds;
 - iv. Eurosystem funding to total assets: monitored on a solo basis for credit institutions authorised by the Bank of Greece and defined as the ratio of Eurosystem funding to credit institutions to total assets;
 - v. Yield spread (in basis points) between Greek and German ten-year government benchmark bonds;
 - vi. Liquidity coverage ratio (LCR): monitored on a solo basis for credit institutions authorised by the Bank of Greece and defined in Article 412 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, and Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the liquidity coverage requirement for credit institutions;
3. Indicators for monitoring direct and indirect exposure concentrations



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- i. Credit to non-financial corporations to total credit to the domestic private sector: monitored on a solo basis and defined as the ratio of the outstanding amount of MFI credit to non-financial corporations (including self-employed, farmers and sole proprietors) to total outstanding MFI credit to the domestic private sector, as published by the Bank of Greece. In addition, as regards the main activity sectors of non-financial corporations, sectoral credit to total MFI credit to non-financial corporations is also monitored;
- ii. Credit to individuals and private non-profit institutions to total credit to the domestic private sector: monitored on a solo basis and defined as the ratio of the outstanding amount of MFI credit to individuals and private non-profit institutions to the outstanding amount of total MFI credit to the domestic private sector, as published by the Bank of Greece;
- iii. Mortgage loans to credit to individuals and private non-profit institutions: monitored on a solo basis and defined as the ratio of the outstanding amount of mortgage loans to the outstanding amount of MFI credit to individuals and private non-profit institutions, as published by the Bank of Greece;
- iv. Consumer credit to credit to individuals and private non-profit institutions: monitored on a solo basis and defined as the ratio of outstanding consumer credit to the outstanding amount of MFI credit to individuals and private non-profit institutions, as published by the Bank of Greece;
- v. Credit to the domestic private sector in foreign currency to total credit to the domestic private sector: monitored on a solo basis and defined as the ratio of the outstanding amount of MFI credit to the domestic private



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sector in foreign currency to the outstanding amount of total MFI credit to the domestic private sector, as published by the Bank of Greece;

- vi. Foreign assets to total assets: monitored on a consolidated basis for credit institutions authorised by the Bank of Greece and defined as the ratio of the value of assets of subsidiaries and their branches abroad to the value of their total assets;
 - vii. Exposure of insurance undertakings to the banking sector: defined as the total value of any type of holdings or investments (e.g. deposits, equity or debt securities) of insurance undertakings authorised in Greece and branches of third-country insurance undertakings operating in Greece with credit institutions operating in Greece.
4. Indicators for monitoring the systemic impact of misaligned incentives
- i. Total bank assets to GDP: monitored on a consolidated basis for credit institutions authorised by the Bank of Greece and defined as the ratio of the value of total bank assets to the value of GDP at current prices;
 - ii. Share of the five largest credit institutions in total assets: monitored on a solo basis for credit institutions authorised by the Bank of Greece and defined as the ratio of the value of the total assets of the five largest (on the basis of their assets) credit institutions to the value of the assets of all credit institutions;
 - iii. Leverage ratio: monitored on a consolidated basis for credit institutions authorised by the Bank of Greece and defined as specified in Article 429 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No



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648/2012, and Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio;

- iv. Return on equity (ROE) gap: monitored on a consolidated basis for credit institutions authorised by the Bank of Greece and defined as the deviation of the return on equity (ratio of pre-tax profits to the average annual level of own funds) from its long-term trend.

5. Indicators for monitoring the resilience of financial infrastructures

Monitoring the resilience of financial infrastructures involves, inter alia, monitoring the resilience of credit institutions, insurance undertakings and central counterparties. Indicatively, the following indicators are monitored:

a) Resilience of credit institutions

- i. Return on equity (ROE): monitored on a solo basis for credit institutions authorised by the Bank of Greece and defined as the ratio of pre-tax profits to the average annual level of own funds;
- ii. Cost-to-income ratio: monitored on a solo basis for credit institutions authorised by the Bank of Greece and defined as the ratio of operating costs to operating income. Operating costs do not include provisions for credit risk (i.e. impairment losses);
- iii. Ratio of non-performing exposures net of provisions to own funds: monitored on a solo basis for credit institutions authorised by the Bank of Greece and defined as the ratio of the value of non-performing exposures, net of accumulated provisions for credit risk, to credit institutions' own funds;



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- iv. Common Equity Tier 1 capital ratio: monitored on a solo basis for credit institutions authorised by the Bank of Greece and defined in Article 92 paragraph 2(a) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012;

b) Resilience of insurance undertakings

For insurance undertakings authorised in Greece and branches of third-country insurance undertakings operating in Greece, monitoring includes the following ratios:

- i. Solvency ratio: monitored on an aggregate basis for all the undertakings concerned and defined as the ratio of the total amount of eligible own funds counting against solvency capital requirements (as the latter are defined in Article 101 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)) to the total amount of solvency capital requirements;
- ii. Ratio of minimum capital requirement: monitored on an aggregate basis for all the undertakings concerned and defined as the ratio of the total amount of eligible own funds counting against solvency capital requirements (as the latter are defined in Article 129 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)) to the total amount of minimum capital requirements.

c) Resilience of central counterparties



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For central counterparties authorised in Greece, the indicators monitored include: (i) capital requirements, as defined in Article 16 of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories; and (ii) the default fund, as defined in Article 42 of the same Regulation.

VI. Instrument selection

1. The macro-prudential instruments available to the Bank of Greece relate to the intermediate macro-prudential policy objectives as follows:
 - A. Instruments to ensure an appropriate level of credit growth and leverage, including the prevention and mitigation of any excessive credit growth and leverage
 - a) The countercyclical capital buffer within the meaning of Articles 123 and 127-130 of Law 4261/2014;
 - b) The systemic risk buffer within the meaning of Articles 125-126 of Law 4261/2014;
 - c) The measures laid down in Articles 124 paragraph 2 and 164 paragraph 5 of Regulation (EU) No 575/2013;
 - d) The measures laid down in Article 458 of Regulation (EU) No 575/2013 relating to:
 - i. The level of own funds laid down in Article 92 of that Regulation;
 - ii. The level of the capital conservation buffer laid down in Article 122 of Law 4261/2014;



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- iii. Risk weights for targeting asset bubbles in the residential and commercial property sector, or intra-financial sector exposures.

B. Instruments to prevent and mitigate excessive maturity mismatch and market illiquidity

The measures laid down in Article 458 of Regulation (EU) No 575/2013 relating to the liquidity requirements laid down in Part Six of that Regulation (liquidity coverage requirement, stable funding);

C. Instruments to limit direct and indirect exposure concentration

- a) The systemic risk buffer within the meaning of Articles 125-126 of Law 4261/2014;
- b) The measures laid down in Articles 124(2) and 164(5) of Regulation (EU) No 575/2013;
- c) The measures laid down in Article 458 of Regulation (EU) No 575/2013 concerning:
 - i. the level of own funds laid down in Article 92 of that Regulation;
 - ii. large exposure requirements laid down in Articles 392 and 395-403 of that Regulation;
 - iii. the level of the capital conservation buffer laid down in Article 122 of Law 4261/2014;
 - iv. risk weights for targeting asset bubbles in the residential and commercial property sector, or intra-financial sector exposures.

D. Instruments to limit the systemic impact of misaligned incentives with a view to reducing moral hazard



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- a) the buffer of global systemically important institutions (G-SII buffer) within the meaning of Article 124 of Law 4261/2014;
- b) the buffer of other systemically important institutions (O-SII buffer) within the meaning of Article 124 of Law 4261/2014;
- c) the systemic risk buffer within the meaning of Articles 125-126 of Law 4261/2014;
- d) the measures laid down in Article 458 of Regulation (EU) No 575/2013, concerning:
 - i. the level of own funds laid down in Article 92 of that Regulation;
 - ii. the level of the capital conservation buffer laid down in Article 122 of Law 4261/2014;
 - iii. the liquidity requirements laid down in Part Six of that Regulation.

E. Instruments to strengthen the resilience of financial infrastructures

The relevant macro-prudential instruments available to the Bank of Greece aim to strengthen the resilience of credit institutions and include:

- a) the systemic risk buffer within the meaning of Articles 125-126 of Law 4261/2014;
- b) the measures laid down in Article 458 of Regulation (EU) No 575/2013 relating to the public disclosure requirements laid down in Articles 431-455 of that Regulation.

2. The general principles governing the selection and calibration of the appropriate macro-prudential instrument or combination of instruments to achieve one or more intermediate objectives of macro-prudential policy shall be the following:



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- a) Effectiveness: the degree to which the instrument can prevent or mitigate the relevant systemic risk. In this context, the following factors are taken into account:
- i. type of systemic risk (e.g. excessive credit growth) and thus the intermediate objective of macro-prudential policy that needs to be achieved;
 - ii. nature of systemic risk (i.e. the cyclical or structural dimension of the systemic risk);
 - iii. source of systemic risk (e.g. whether the systemic risk originates from all credit institutions or a subset thereof or specific exposures or specific activities of credit institutions).
- b) Efficiency: the potential of the instrument to achieve the ultimate and intermediate objectives of macro-prudential policy at minimum cost and with minimum side-effects, striking an appropriate balance between financial system resilience and economic growth.
- c) Proportionality: capability of applying the instrument proportionally to the level of systemic risk.
- d) Simplicity: ease of implementation of the instrument and ability to explain the relevant decisions in an easy-to-understand manner.
- e) Avoiding regulatory arbitrage: the instruments to be selected should provide limited opportunities for regulatory arbitrage. To this end, the Bank of Greece shall cooperate with the macro-prudential and supervisory authorities of other countries, if deemed appropriate.
- f) Avoiding negative cross-border spillovers: the instruments to be selected should have limited adverse effects on other countries. To this end, the



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Bank of Greece shall cooperate with the macro-prudential and supervisory authorities of other countries, if deemed appropriate.

- g) Reciprocity: In addition to cases where reciprocity is mandatory under the provisions of the legislation in force, the Bank of Greece shall seek to recognise macro-prudential measures taken in other countries, if deemed appropriate. In this context, the Bank of Greece shall cooperate with the macro-prudential and supervisory authorities of such countries and with the relevant European authorities, in accordance with the European and national institutional frameworks applicable each time.
- h) Compliance with the institutional framework applicable each time: consideration shall be given to any restrictions to the use (activation, calibration, deactivation) of macro-prudential instruments imposed by the institutional framework applicable each time.

- 3. The Bank of Greece may use a combination of macro-prudential instruments, when warranted by the type, nature or level of systemic risk or by the need to avoid regulatory arbitrage. For instance, a combination of multiple macro-prudential instruments may be used to achieve more than one objective of macro-prudential policy (when a single instrument cannot effectively mitigate the relevant systemic risks) or to address both the cyclical and the structural dimensions of systemic risk. In any event, consideration shall be given to any restrictions on the use of macro-prudential instruments imposed by the institutional framework applicable each time.

VII. Implementation of macro-prudential policy



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1. The implementation of macro-prudential policy by the Bank of Greece shall observe the general principle of guided discretion. According to this principle, decisions on the use (activation, calibration, deactivation) of macro-prudential instruments (macro-prudential policy implementation decisions) shall not be made solely on the basis of automatic rules relying on quantitative data (values of specific indicators), but also on the basis of expert judgment, which shall assess quantitative data, the phase of the economic and credit cycles and the specific characteristics of the country and the national financial system.
2. The Bank of Greece shall make decisions on the use of macro-prudential instruments, in particular on the activation, calibration and deactivation of such instruments (macro-prudential policy implementation decisions), in accordance with Article 55A of its Statute and the provisions of the national legislation and European institutional framework each time in force. In taking macro-prudential policy implementation decisions, the Bank of Greece shall cooperate with other authorities at national and European level, as envisaged by the national and European institutional frameworks applicable each time.
3. The regulatory decisions implementing macro-prudential policy shall be published in the Government Gazette and posted on the website of the Bank of Greece.

VIII. Evaluation of the implementation of macro-prudential policy



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The Bank of Greece shall review the results of the use of macro-prudential instruments in achieving the ultimate and intermediate objectives of macro-prudential policy. In this context, any domestic or cross-border spillovers from the activation of macro-prudential instruments shall be assessed. The outcome of the review shall be used as input to macro-prudential policy implementation decisions and, if deemed appropriate, the reassessment of the macro-prudential policy framework.

We order that this Act be published in the Government Gazette and posted on the website of the Bank of Greece.

The Deputy Governor

The Deputy Governor

The Governor

Theodoros Mitrakos

Ioannis Mourmouras

Ioannis Stournaras