

Macroprudential policy in the EU

The European Systemic Risk Board (ESRB)

The European Systemic Risk Board (ESRB), seated in Frankfurt was created on 16 December 2010 in the framework of the implementation of macroprudential policy at the European level. The ESRB has no legal personality and tasks connected with its mission are implemented by the European Central Bank (ECB).

The ESRB's mission is to contribute to the prevention or mitigation of systemic risks to financial stability in the Union that arise from developments within the financial system and taking into account macroeconomic developments, so as to avoid periods of widespread financial distress. The ESRB's main tasks are:

- collecting and analysing all relevant and necessary information for achieving its mission;
- identifying and prioritising systemic risks;
- issuing warnings where such systemic risks are deemed to be significant and, where appropriate, making those warnings public;
- issuing recommendations for remedial action in response to the risks identified and, where appropriate, making those recommendations public;
- cooperating with other parties to the European System of Financial Supervision, international and national institutions.

The ESRB has issued two recommendations concerning the organisation of macroprudential policy in the EU. Recommendation ESRB/2011/3 of 22 December 2011 on the macroprudential mandate of national authorities stipulated that an authority responsible for macroprudential policy implementation should be established in each EU Member State, and that the national central bank should play a major role in it. Member States are also encouraged to define in legislation the macroprudential policy itself, its tasks, powers and instruments.

In Recommendation ESRB/2013/1 of 4 April 2013 on intermediate objectives and instruments of macroprudential policy, the ESRB specifies in greater detail the objectives of macroprudential policy and its instruments. National authorities for macroprudential policy should develop a strategy for the policy, in which they set out specific milestones. They should also evaluate the adequacy of instruments available to them and, where necessary, obtain new instruments.

The European Central Bank (ECB)

The implementation of macroprudential policy in Slovakia is influenced to a large degree by Slovakia's participation in the Single Supervisory Mechanism (SSM). Under the SSM Regulation, implementation of macroprudential policy is shared between national authorities and the ECB. National authorities have the power to fully implement policy, as defined in EU legislation. ECB decisions on macroprudential policy may only increase requirements above those laid down by national authorities. In other words, the ECB may intervene only in cases where it considers that the national authority has not gone far enough; it cannot cancel or moderate national authorities' decisions.

National authorities are required to inform the ECB of their decisions at least 10 days in advance. Where the ECB has objections to a particular decision, it shall send its response, together with reasons, to the national authority within five days. The national authority may take the ECB's opinion into consideration, but it decides independently. The ECB is required to notify national authorities of its decisions 10 days in advance. If national authorities disagree, they may express their disagreement within five days.