

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

EU Consultation Document

Review of the EU Macro-prudential Policy Framework

The European Commission has on August 1, 2016 issued a public consultation document in preparation for the Review of the EU Macro-Prudential framework. The aim of the consultation is for the EU to gather feedback and evidence on the functioning of the different building blocks of the macro-prudential framework and to gather evidence and stakeholder feedback to analyse possible framework improvements.

The macro-prudential framework is to ensure the stability of the financial system as a whole and to allow the EU Member states to address specific financial stability risks. The current complex macro-prudential framework has evolved over recent years, and this piece-meal approach has created a number of weaknesses in the framework. There is currently an overlapping toolset of macro-prudential instruments available under EU legislation. The framework is currently made up of 5 separate pieces of legislation namely:

- Two European Systemic Risk Board (ESRB) Regulations;
- The Capital Requirements Directive IV (CRD IV);
- The Capital Requirements Regulation (CRR) and; and
- The Single Supervisory Mechanism (SSM) Regulation.

The EU aims at addressing all the above five component parts in a comprehensive review to eliminate any possible inconsistencies. The EU will be reviewing not only the appropriateness of the design of the individual macro-prudential instruments and institutions but also taking into consideration how these different elements interact.

The consultation includes a broad range of questions on narrowing and refining the scope of existing macro-prudential instruments (such as capital buffers), making the rules more consistent with one another, as well as examining the role and organisational structure of the ESRB and its relationship with the European Central Bank.

The consultation is open to the public including members of the industry, banks, trade bodies, interested academics as well as consumer organisations. The consultation will run from August 1, 2016 and October 26, 2016.

Interested parties are to submit their responses through the online questionnaire on the EU website. Details of the consultation can be accessed from: <http://ec.europa.eu/finance/consultations/2016/macprudential-framework/>

Respondents wishing to share their responses with the Authority are welcome to do so by sending responses by email to: communications@mfsa.com.mt.

Communications Unit
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