

Press release

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FSB publishes peer review on macroprudential policy framework and tools in Germany

The Financial Stability Board (FSB) today published its *Peer Review of Germany*. The review examines progress with data collection for macroprudential analysis and the availability and use of macroprudential tools in Germany; and how the authorities assess and manage risks to financial stability from non-bank financial intermediation (NBFi).

The review finds that Germany's macroprudential framework is well established and operationalised through the Financial Stability Committee (FSC). Data collection, quality and integration have improved, and effective cooperation between the FSC's member authorities – the Bundesbank, the Federal Financial Supervisory Authority (BaFin), and the Federal Ministry of Finance – has enhanced its analytical capabilities to assess financial stability risks. The FSC has further developed its macroprudential toolkit in recent years with the establishment of two borrower-based tools designed to address potential financial stability risks stemming from the residential real estate market. These tools apply to both banks and non-bank financial institutions, but so far have not been activated. The efforts of the authorities to monitor and manage risks to financial stability from NBFi have increased as the importance of the sector has grown, most notably with respect to investment funds, while the set of liquidity management and pricing tools available to asset managers was recently extended.

Notwithstanding this progress, the review concludes that further steps can be taken to strengthen the macroprudential framework by:

- Enhancing data collection for macroprudential analysis, in particular on residential real estate loans, NBFi and interconnectedness;
- Strengthening the FSC's public communication and its analysis of non-bank and emerging risks; and
- Extending the policy toolkit to include income-based instruments for residential real estate financing and providing guidance on the use of liquidity risk management and pricing tools for investment funds, particularly in stressed market conditions.

The peer review report includes recommendations to the German authorities in order to address these issues.

Notes to editors

FSB member jurisdictions have committed to undergo periodic peer reviews to evaluate their adherence to international financial standards. To fulfil this responsibility, the FSB has established a regular programme of thematic and country reviews, based on the objectives and guidelines set out in the Handbook for FSB Peer Reviews. As part of this commitment, Germany volunteered to undergo a peer review in 2019. This review forms part of the second round of country peer reviews of FSB member jurisdictions, which examine the implementation of G20 financial regulatory reforms. The schedule of country peer reviews, as well as all completed peer review reports, is available on the FSB website.

The draft report was prepared by a team of experts from FSB member institutions and led by Ksenia Yudaeva, First Deputy Governor at the Central Bank of the Russian Federation. The review benefited from dialogue with the German authorities and private sector representatives as well as from discussion in the FSB Standing Committee on Standards Implementation. As the review largely took place prior to the COVID-19 pandemic, it does not examine in depth recent market developments or the related actions by the German authorities.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman, US Federal Reserve; its Vice Chair is Klaas Knot, President, De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.