**ACCOUNT OF MEETING NO. 3 OF 2020**
**MACROPRUDENTIAL MEASURES COMMITTEE**
**18 MARCH 2020 TELECONFERENCE**

**In attendance[1]:** Governor Gabriel Makhlouf (Chair), Deputy Governor Sharon Donnery (Central Banking); Deputy Governor Ed Sibley (Prudential Regulation); Mark Cassidy (Director of Economics and Statistics); Vasileios Madouros (Director of Financial Stability); Mary Elizabeth McMunn (Director of Credit Institutions Supervision) and Robert Kelly (Head of Macro-Financial Division)(MMC Secretary). Derville Rowland (Director General, Financial Conduct) also dialled into the meeting.

The Macroprudential Measures Committee (the Committee) of the Central Bank of Ireland (the Central Bank) held its third meeting of 2020 on 18 March. This extraordinary meeting was convened via teleconference to consider the Central Bank's **macroprudential policy response** to the COVID-19 outbreak. The Committee was presented with a paper which discussed potential macroprudential policy responses to the outbreak and in particular, whether the countercyclical capital buffer (CCyB) rate on Irish exposures should be maintained, reduced or released.

The CCyB aims to promote banking sector resilience by protecting it against the impact of potential losses and ensuring a stable provision of credit over the economic cycle. The CCyB rate of one per cent was announced by the Central Bank on 5 July 2018 and came into effect in July 2019.

The Committee noted that the spread of COVID-19 was and would continue to cause significant disruption to economic activity, both internationally and in Ireland, with adverse implications for the financial position of households, businesses and the financial system. The necessary containment measures on public health grounds will have a significant impact on the euro area and Irish economies.

The Committee noted the rationale for building a positive CCyB rate early in the economic cycle, so that the buffer can be released when risks materialise. The goal of the CCyB is to support the sustainable flow of credit to the economy, not just in good times, but also in bad. The release of the CCyB at this point in time was deemed appropriate as it would support the supply of credit to households and firms during the downturn.

The Committee discussed the impact of the release of the CCyB in light of the measures taken by ECB Banking Supervision on 12 March 2020 to provide temporary capital and operational relief in reaction to the coronavirus.[2] The Committee noted that the measures taken by the ECB would enhance the loss absorption capacity of the Irish banking sector. It was considered that the release of the CCyB would be consistent with the ECB actions and would support banks in providing credit to the real economy.

[1]Also dialled in: Órla De Búrca, Giorgia De Nora, Niamh Hallissey, Fergal McCann, Eoin O'Brien, Martin O'Brien, Mícheál O'Keeffe, Caroline Mehigan, Gina Fitzgerald.
[2] ECB Press Release, 12 March 2020

**In light of these developments, and consistent with the objective of the buffer, the Committee recommended the release of the CCyB with a reduction in the rate from 1% to 0%.** The release would support the continued provision of credit to households and businesses by the banking system and further enhance the ability of banks to absorb losses during this challenging time. Committee members expressed their strong expectation that banks use the positive effects of the release of the CCyB in support of the economy and not for dividend distributions.

The Committee agreed that the CCyB would be reduced from 1% to 0% no later than 2 April 2020, subject to the ECB notification requirements.[3] The Committee discussed the time frame within which the CCyB rate would be expected to remain at 0% and agreed that no subsequent increase of the CCyB would be announced before the first quarter of 2021 at the earliest. The Committee agreed that this would balance the need to ensure maximum effectiveness of the buffer release, against the uncertainty of the macroeconomic forecasts regarding the impact of the virus. Consistent with the Central Bank's CCyB framework, any subsequent decisions and the timeline for their implementation would depend on prevailing macroeconomic and financial conditions.

The Committee highlighted the importance of continuing to monitor the situation closely, as part of the continued assessment of the impact of COVID-19 on the economy, businesses and households. The Committee agreed that it would continue to keep the appropriateness of the calibration of all of the Central Bank's macroprudential policy tools under review. Of note is that on 18 March 2020, the Minister for Finance announced the deferment of the introduction of the systemic risk buffer (SyRB).[4]

[3] The Bank subsequently, having completed the notification requirements set out in Article 5.1 of the SSM Regulation, confirmed the decision to reduce the buffer to 0 per cent on April 1.
[4] Department of Finance Press Release, 18 March 2020.