

Macroprudential Measures Committee

Account of meeting no. 3 of 2017 held on 25 April

Members in attendance: Governor Philip Lane (Chair); Sharon Donnery (Deputy Governor, Central Banking); Bernard Sheridan (Acting Deputy Governor, Financial Regulation); Gabriel Fagan (Chief Economist); Ed Sibley (Director of Credit Institutions Supervision); Maurice McGuire (incoming Director of Financial Stability); and Mark Cassidy (Head of Financial Stability Division and Secretary to the Committee).¹

The Macroprudential Measures Committee (MMC) held its third regular meeting of 2017 on 25 April 2017.

The Committee were presented with a **Review of the residential mortgage market in Ireland in 2016**, based on the latest insights from an analysis of compliance data relating to the Bank's loan-to-value (LTV) and loan-to-income (LTI) macroprudential rules. Key highlights were presented, including details of average LTV and LTI ratios, and their distributions, among first-time buyers, second and subsequent buyers and buy-to lets. The preliminary data showed that a total of 11 per cent of in-scope primary dwelling home lending exceeded the LTV limit in 2016, across the five institutions reporting under the Regulations. It was noted that the corresponding figure was 13 per cent in the case of the LTI limit. Differences were observed in the characteristics of borrowers with and without an allowance to exceed these limits. Notably, differences were evident across income, borrower age, marital status and region. An analysis of the characteristics of lending under the exemptions to the Regulations was also presented. The Committee agreed that the analysis should be published as an Economic Letter, and gave some suggestions on its drafting and content.² With regard to new charts or tables in Economic Letters, it was proposed that data supplied in response to requests should be made accessible on the Bank's website for general access.

During the discussion, it was agreed that the next annual review of the macroprudential mortgage market measures will focus on the appropriate calibration of the existing parameters of the policy given credit and house price developments. It was recommended that the Bank's announcement in respect of any decision by the Commission to recalibrate the measures given prevailing market conditions is to follow the Commission meeting on 28 November 2017.

¹ The following staff representatives from the Financial Stability Division were also present for all or part of the meeting: Yvonne McCarthy (Head of Function - Analytics); Martin O'Brien (Macroprudential Analysis and Policy Manager); Breda Cassidy (Advisor – Policy Oversight); Paul Lyons (Data Analytics and Stress-Testing Manager); Christina Kinghan (Economist); Jean Quin (Policy Economist); Ellen Ryan (Economist); and Enda Keenan (Economist).

² The analysis was subsequently published on 25 May as [Economic Letter No.6 Vol. 2017](#).

The MMC also considered a paper on developing a **Framework for the assessment of cross-border effects of macroprudential policies**. Work in this regard follows the Bank's efforts to comply with sub-recommendation A of the European Systemic Risk Board (the ESRB) Recommendation on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (the Recommendation).³ The guiding principle of the proposed framework is to ensure a systematic assessment of the cross-border effects of macroprudential policy measures, on an ex ante and ex post basis, and report to the ESRB on these assessments. The initial analysis of the mortgage market measures implemented in 2015 was noted to point to non-significant cross-border impacts. Less focus was required on the Bank's remaining macroprudential measures. It was further noted that this framework will evolve over time as new instruments come into effect and further data and appropriate indicators become available. Potential implications for the framework arising from Brexit were highlighted.

The Committee agreed on the proposed framework, while noting the importance of supervisory intervention and engagement with other national and European authorities as the first line of defence. Following the MMC approval, the Bank will report to the ESRB on the actions taken in response to the Recommendation.

³https://www.esrb.europa.eu/pub/pdf/recommendations/2016/Recommendation_ESRB_2015_2.pdf