FINANCIAL STABILITY BOARD

Press release

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FSB completes peer review of the Netherlands

The Financial Stability Board (FSB) published today its peer review of the Netherlands.

The peer review examined two topics: the macroprudential policy framework and tools; and crisis management and bank resolution. These topics are relevant for financial stability across the FSB membership and are also being covered in other FSB peer reviews. This review focused on the steps taken by the Dutch authorities to implement reforms in these two areas, including by following up on relevant recommendations in the 2010 Financial Sector Assessment Program (FSAP) report by the International Monetary Fund (IMF).

The peer review concluded that the authorities have made good progress in addressing the FSAP recommendations; even though work is ongoing, much has been accomplished and the Netherlands remains at the forefront of international reforms in both areas. Going forward, the peer review noted that the authorities need to clarify further the role of the inter-agency Financial Stability Committee (FSC) within the macroprudential framework. The ongoing effort to analyse and address housing market vulnerabilities will be an instructive test of the FSC's effectiveness and level of ambition. The authorities also need to close remaining gaps in the legal framework for resolution and to realign the institutional framework to ensure resolution is feasible and credible. An important driver of developments in both of these areas has been, and will continue to be, European Union (EU) initiatives.

In particular, the peer review found that legislative and organisational reforms in recent years have introduced a comprehensive macroprudential policy framework in the Netherlands. These reforms include: strengthening cooperation and information exchange via the creation of the FSC; assigning explicit legal responsibility for financial stability to the central bank (DNB); formulating a formal risk assessment and decision making process for operationalising macroprudential policy; and ongoing work to integrate macroprudential risks within the supervisory approach. The authorities have also taken steps to address the risks stemming from the housing market. The most important challenge now consists of deploying macroprudential tools effectively in specific contexts and developing the required capabilities.

To further enhance the effectiveness of the macroprudential policy framework, the peer review recommended:

- Setting out the nature of the FSC's involvement in systemic risk assessment and macroprudential policy. In addition, the authorities should consider embedding the FSC's role and institutional standing in primary legislation as well as establishing a formal 'comply or explain' mechanism for FSC recommendations.

- Undertaking a comprehensive assessment of the impact of taking further steps to address housing market risks to the financial system and the economy.
- Assigning a more prominent role to the FSC in setting loan-to-value and loan-to-income limits in the Netherlands, to ensure that decisions on the use of these tools are made on the basis of both prudential considerations and their potential impact on consumers and the broader economy.

Major steps have also been undertaken to upgrade the framework for crisis management and bank resolution, with several more reforms forthcoming in the near future. The authorities should be commended for their rapid adoption and implementation of the Intervention Act, which addressed some of the FSAP recommendations. Work on recovery and resolution planning is also well underway, while the coordination processes established under the Act enhanced the authorities' ability to manage the nationalisation of SNS REAAL in early 2013.

Further progress on resolution reforms will be realised when the Netherlands transposes the EU Directives on Deposit Guarantee Schemes and Bank Recovery and Resolution, and when the Single Resolution Mechanism becomes operational. Implementing these reforms will be a considerable undertaking, but should close the remaining gaps identified in the FSAP and enhance the alignment of the bank resolution framework with the FSB's *Key Attributes*. Moreover, as DNB takes on the role of the designated resolution authority in the Netherlands, it should exercise the resolution function with sufficient operational independence to effectively carry out its mandate, including the ability to appropriately examine and address identified obstacles to the resolvability of systemically important banks.

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote 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 65 other jurisdictions through its six regional consultative groups.

The peer review of the Netherlands is the twelfth country peer review conducted by the FSB and the first using the revised objectives and guidelines for the conduct of peer reviews set forth in the January 2014 *Handbook for FSB Peer Reviews.* FSB member jurisdictions have committed to undergo an FSAP assessment every five years and, to complement that cycle, an FSB peer review two to three years following an FSAP. As part of this commitment, the Netherlands volunteered to undergo this peer review in 2014. The FSB has also launched country peer reviews for China, Russia, Saudi Arabia and Turkey in 2014, and will complete them in 2015. All completed peer review reports are available on the FSB website.

Country peer reviews focus on the implementation and effectiveness of regulatory, supervisory or other financial sector standards and policies agreed within the FSB, as well as their effectiveness in achieving desired outcomes. They examine the steps taken or planned by national authorities to address IMF-World Bank FSAP and Report on the Observance of Standards and Codes recommendations on financial regulation and supervision as well as on institutional and market infrastructure that are deemed most important and relevant to the FSB's core mandate of promoting financial stability. Country reviews can also focus on regulatory, supervisory or other financial sector policy issues not covered in the FSAP that are timely and topical for the jurisdiction itself and for the broader FSB membership. Unlike the FSAP, a peer review does not comprehensively analyse a jurisdiction's financial system structure or policies, or its compliance with international financial standards.

The report published today describes the findings and conclusions of the peer review of the Netherlands. The draft report was prepared by a team of experts drawn from FSB member institutions and led by Lawrence Schembri, Deputy Governor of the Bank of Canada. The review benefited from dialogue with the Dutch authorities and from discussion in the FSB Standing Committee on Standards Implementation.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its 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.financialstabilityboard.org.