

Press Release

Paris, 15 June 2021

On Tuesday 15 June, the Haut Conseil de stabilité financière (HCSF - High Council for Financial Stability) held its 29th meeting, chaired by Bruno Le Maire, Minister of the Economy, Finance and the Recovery.

The HCSF conducted its assessment of the risks and vulnerabilities in the French financial system. It found that while risks to financial stability remain elevated, the outlook has improved since its March session, with health restrictions being gradually lifted and economic activity rebounding. It also noted that the aggregate net debt of French companies has increased moderately since the beginning of 2020 and that balance sheets available for the year 2020 show that the financial position of French firms was, once again on aggregate, less affected than the fall in economic activity might have suggested.

The HCSF decided to leave the countercyclical capital buffer rate for banks unchanged at 0%, in order to enable banks to continue to support the economic recovery. It considers that this level is still appropriate for the current circumstances and does not anticipate an effective increase in the countercyclical capital buffer rate until at least the end of 2022.

The HCSF monitored recent developments in the residential real estate market. The latest data confirm the conclusions of the previous assessment: the housing credit market remains strong, with healthier fundamentals. The annual production of new housing loans reached a record high in April, with their interest rates falling to historical lows. At the same time, the share of loans with high debt service-to-income ratios or long maturities declined significantly. As expected, the lending standards of credit institutions are converging towards the criteria of the recommendation of 27 January 2021, without affecting households' access to housing loans.

As announced after its 17 December 2020 meeting, the HCSF will transpose this recommendation into a legally binding standard during the summer, after publishing an assessment of the implementation of the recommendation.

The HCSF also examined the financial stability issues related to money market funds and short-term funding markets, reflected in the significant tensions observed in March 2020. It took note of the ongoing international and European work on the regulatory framework for money market funds. The HCSF recalls that money market funds play an important role in France, enabling investors and companies to invest their cash and provide short-term financing to financial and non-financial actors. It stresses the need to reconcile the preservation of this model with the adoption of measures to enable funds to better cope with liquidity risk.

Following the recommendations of the European Systemic Risk Board published on 30 April 2021, the HCSF took reciprocity decisions for three macro-prudential measures taken by the Norwegian Ministry of Finance and adopted a recommendation for French banking institutions operating in Luxembourg to implement the macro-prudential measure taken by the

Commission de Surveillance du Secteur Financier (CSSF, Financial Sector Supervisory Commission) of Luxembourg.

Lastly, the HCSF will formally decide in the coming days on the two-year extension of the measure relating to large exposures of systemically important institutions, following the conclusion of the European consultation procedure currently underway.