

Press Release

Paris, 14 December 2021

On Tuesday 14 December, the *Haut Conseil de stabilité financière* (HCSF – High Council for Financial Stability) held its 31st meeting, chaired by Bruno Le Maire, Minister of the Economy, Finance and the Recovery.

The HCSF conducted its assessment of the risks and vulnerabilities affecting the French financial system. It found that the risks to financial stability have declined in the short term. Against the context of a strong economic rebound, activity recovered to its pre-crisis level, and according to the latest projections, growth should be sustained at a high level in 2022. Although the epidemic cycle persists, the associated uncertainties have nevertheless been reduced thanks to the broad vaccination coverage in France. Furthermore, the banking system is robust enough to support economic growth effectively. However, the HCSF remains vigilant with regard to the medium-term risks. It considers that the persistence of the vulnerabilities identified prior to the crisis warrants prevention measures at least equivalent to those in place pre-crisis in order to address the financial risks.

The HCSF discussed its strategy for raising the countercyclical capital buffer rate for banks. It considers that relaxing the buffer rate in March 2020 contributed to maintaining the supply of bank credit during the crisis and should again be part of the tools available for deployment. It recognizes that following the exceptional circumstances that justified its loosening, the economic and financial conditions warrant an imminent normalisation of the countercyclical buffer. In this regard, it notes the strong momentum in lending, the significant level of debt and the advanced position in the financial cycle.

The HCSF decided to leave the countercyclical capital buffer rate for banks unchanged at 0%. However, it intends to normalise the buffer rate to its pre-crisis level at its next meeting, once the economic and financial cycle confirms that the banking system is capable of supporting growth.

The HCSF assessed the application of its 27 January 2021 recommendation on lending standards in the French residential real-estate market, before its decision of 29 September 2021 comes into force on 1 January 2022. The latest available data confirm the positive assessment made in the summer: lending conditions have continued to improve – overall, and for each of the banking groups taken individually – during the last quarter without compromising the strong momentum in housing loan production, at interest rates that remain historically low. It notes that the measure is all the more important given the context of escalating real-estate risks across Europe as the crisis ends, and that it helps to contain those risks in France.

The HCSF also examined the financial stability issues related to the digitalisation of payments and, more generally, finance. It took note of the work undertaken by the Banque de France, as part of a working group of Eurosystem central banks, on the impact of implementing a digital euro. The HCSF observed that the risk to financial stability from crypto-assets and decentralised

finance is still contained due to the limited interconnections with the rest of the financial system. However, it also observed that these activities are expanding rapidly. It stressed the importance of strengthening the international regulatory framework and welcomed the proposed European regulation on Markets in Crypto-Assets (MiCA), which will continue to be negotiated under the French presidency of the Council of the European Union during the first half of 2022.