

## Press Release

Paris, 18 March 2021

On Thursday 18 March, the Haut Conseil de stabilité financière (High Council for Financial Stability – HCSF) held its 28<sup>th</sup> meeting, chaired by Bruno Le Maire, Minister of the Economy, Finance and the Recovery.

The HCSF conducted an assessment of the risks and vulnerabilities in the French financial system, against an economic backdrop still greatly affected by the impact of the Covid-19 pandemic. The HCSF considers that risks to financial stability remain at a high level, due to the ongoing impact of the crisis on the accounts of financial and non-financial players.

Non-financial firms significantly increased their debt in 2020, even though this was accompanied, at the aggregate level, by an almost equivalent increase in their cash position. The first available accounting data highlight the significant differences in situations, with some companies weakened by the crisis, while others remain relatively unaffected.

The HCSF decided to initiate the procedure to extend its measure on the large exposures of systemically important institutions, which has been in force since 1 July 2018 and was renewed for one year in June 2020. This measure aims to limit the concentration within the banking sector of risks related to the most highly indebted large companies, in order to enhance the soundness of the financial sector. It remains relevant today. The HCSF made sure that the measure was fully compatible with the smooth implementation of public measures aimed at ensuring access to finance and strengthening the financial structure of companies.

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 this level to be 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 discussed recent developments in the residential real estate market. At its previous meeting, it decided some amendments to its December 2019 recommendation, based on the assessment of its implementation in 2020. The amended recommendation and accompanying notice were published on 27 January. The latest data confirm the HCSF's conclusions in December: the housing loan market remains strong, and is now on a sounder basis. New housing lending is at a historically high level and interest rates are close to their all-time lows of end-2019. At the same time, the weakening of credit standards appears to have halted, with the share of loans with high debt service-to-income ratios, long maturities or high loan-to-value ratios starting to decline. The HCSF will review the implementation of the amended recommendation at its next meeting, with a view to adopting in the summer a measure to make it legally binding.

The HCSF also discussed the risks to financial stability associated with commercial real estate. While noting the risks associated with the transformations that the sector is likely to face, it observed that the French financial system's exposure to these risks remains under control.

The HCSF also took note of the initial findings of the pilot exercise to assess the vulnerabilities of the French financial system to climate change risks conducted by the Autorité de contrôle prudentiel et de résolution. The HCSF stresses the importance of this exercise in raising awareness of these risks among financial players, identifying potential vulnerabilities and assessing possible financial stability issues.

Lastly, the HCSF took note of the changes in the regulatory framework for the systemic risk buffer, which is one of the instruments at its disposal to prevent financial stability risks. A notice setting out the legal framework, objectives and adoption procedure for this cushion was published today on the HCSF's website.