

Rome, 26 June 2017

**Identification by Italy of material third countries pursuant to
Recommendation ESRB/2015/1 of the European Systemic Risk Board (ESRB)**

In December 2015 the European Systemic Risk Board (ESRB) adopted Recommendation ESRB/2015/1 to standardize decisions by individual Member States on the countercyclical capital buffer (CCyB) to be applied to exposures towards residents in non-EU countries (third countries). The Recommendation provides that the designated national authorities identify annually the third countries to which their domestic banking sectors are materially exposed and monitor the risks to financial stability stemming from excessive credit growth in those countries.

To this end and based on the data at 31 December 2016, the Bank of Italy has identified the following material third countries for Italy: Russia, Switzerland, Turkey and the United States. Since these countries have already been identified by the ESRB as material for the entire European Union and are monitored by the ESRB itself, the Bank of Italy further determined not to carry out any direct monitoring of the risks associated with them.

The identification of the four countries was made in accordance with the criteria laid down in Decision ESRB/2015/3 used by the ESRB to identify the third countries material to the European Union. The assessment, which took account of all the countries to which Italian banks are exposed, examined three indicators in relation to each third country as shares of the corresponding Italian banking system's total exposures: a) original exposures; b) risk-weighted assets; c) defaulted exposures. The countries that were identified as material are those for which at least one of the three indicators was equal to or exceeded 1 per cent in each of the last two quarters and on average in the last eight quarters.