

Rome, 25 June 2020

**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 to residents in non European Economic Area countries (third countries)¹. 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.

Based on the data at 31 December 2019 and the most recent available information, the Bank of Italy has identified for the year 2020 the following material third countries for Italy: Russia, Switzerland and the United States. These three countries are monitored directly by the ESRB, which has included them among those identified as material for the entire European Economic Area. Compared to 2019, Turkey is no longer identified as a third country, since Italian banking system's exposures to it decreased drastically in the first few months of this year.

The identification of the three countries was made in accordance with the criteria laid down in Decision ESRB/2015/3. The assessment considered all the countries to which Italian banks are exposed and examined three indicators relating to original exposures (i.e. non-risk-weighted), risk-weighted exposures and defaulted exposures towards each country, all as shares of the corresponding total exposures of the Italian banking system. 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 in the last eight quarters on average.

¹ The European Economic Area (EEA) includes, in addition to the EU countries, Iceland, Liechtenstein and Norway. As of 1 January 2020, the macroprudential tools of CRD IV and CRR are applicable in these three countries; the ESRB has therefore decided from this year to consider third countries those outside the EEA.