

Rome, 30 June 2021

**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 for macroprudential policies annually identify 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 2020, the Bank of Italy has identified for the year 2021 the following material third countries for Italy's banking system: Russia, the United States, Switzerland and the UK. These four countries will be monitored directly by the ESRB, which has included them among those identified as material for the entire European Economic Area. Compared with 2020, the UK is now identified as material, having become a third country following its withdrawal from the European Union.

The identification of the four 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 From 2020, ESRB extended the identification perimeter from the European Union to the 30 member States of the European Economic Area (EEA), which includes also Iceland, Liechtenstein and Norway. As of 1 January 2020, the macroprudential tools of CRD IV and CRR are applicable also in these three countries.