

Rome, 28 June 2019

**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 2018, the Bank of Italy has identified the following material third countries for Italy: Russia, Switzerland, Turkey and the United States. These four countries are monitored directly by the ESRB, which has included them among those identified as material for the entire 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.