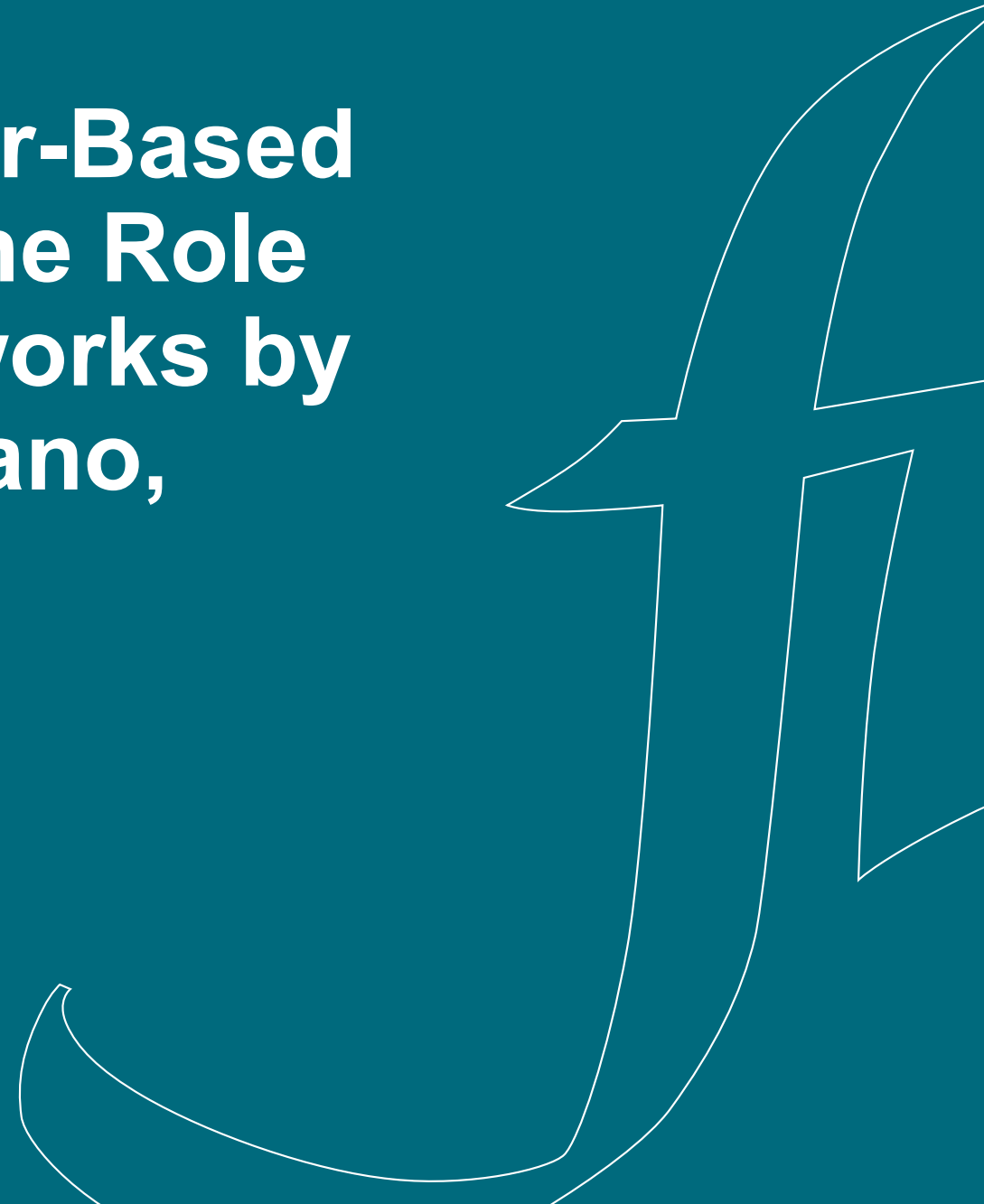


# Implementing Borrower-Based Measures in the EU: The Role of Institutional Frameworks by Durante, Milone, Pirovano, Popa

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Finansinspektionen



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# The paper in short

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- Aims to empirically explore if institutional frameworks governing the implementation of BBMs has affected their use and specifically the role of central banks in the decision-making process for BBMs.
- Uses a novel dataset combining macro-financial variables, information on the implementation and calibration of BBMs, and on the institutional framework governing their adoption.
- Sources information on the institutional framework from a questionnaire issued by the ECB among national macroprudential authorities in the EU.
- Controls for relevant factors such as indicators of residential real estate risks and macro-financial conditions.
- The main result of this study is that the probability of BBMs being implemented increases when a central bank is in charge, and that a stronger effect is visible if it is also national macroprudential authority (NMA).

# Overall comments

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- My interpretation is that the normative question is how macroprudential decision making should be organized to avoid inaction bias.
- Studying institutional frameworks is a difficult task as they are not easy to measure.
  - The paper attempts this and I agree that it might be logical to use a simple approach, and focus solely on whether a central bank or another authority/committee institution has the power to decide.
  - However, it is important to keep in mind that this is a simplification and does not capture all intricacies of institutional macroprudential framework.
- For countries where there is legislation, a dummy-variable takes the value of 1 if there is a measure in place.
  - The question is if this could create a bias to countries that have had legal support to introduce measures longer than others?

# Potential future work

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- Consider classifying countries along other dimensions than central bank or another authority/committee. Analyze other dimensions of the institutional framework by classifying countries (i.e.  $X_{\{c,t\}}$  in eq. 1) w.r.t.
  - If there is one authority responsible for all macroprudential regulation
  - If there is political involvement in setting BBM
- Consider expanding the scope from BBMs to for instance the use of the CCyB.
- Consider alternative options to handle differences in timing of introduction of legal support.

