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PRESS RELEASE

IMF stress tests confirm that Belgian banks and insurance companies are able to withstand severe shocks

The National Bank of Belgium welcomes the FSAP examination of the Belgian financial sector

Washington/Brussels 8 March 2018- The National Bank of Belgium welcomes the five-yearly FSAP examination of the Belgian financial sector by the International Monetary Fund (IMF). The IMF considers that the Belgian financial sector has become more robust in recent years. Today, Belgian banks and insurance companies are in a position to absorb risks or macrofinancial shocks. Points mentioned in the IMF's recommendations include the challenges on the mortgage market and the importance of prudential supervision over banking group subsidiaries.

In 2017, the International Monetary Fund (IMF) assessed the health of the Belgian financial sector and the financial supervision and legislation in Belgium. This "Financial Sector Assessment Program" or "FSAP" is a five-yearly exercise for countries like Belgium with a systemic financial sector. This FSAP is additional to the annual [Article IV mission](#) in which the IMF examines the *economic policy* of its members. That report is also being published today epubliceerd. The previous Belgian FSAP took place in 2012. The FSAP report on Belgium followed three IMF missions to Belgium and Frankfurt. During those missions, the FSAP team conducted in-depth technical discussions with the National Bank and the European Central Bank (ECB). In addition, the FSAP team had discussions with the FSMA, FPS Finance, the Finance Minister's office, the European Single Resolution Board and various financial institutions and sector federations. The FSAP team also worked closely with the National Bank and the ECB in conducting stress tests on the banking and insurance sector.

On 8 March the IMF Executive Board published the FSAP report for Belgium. The IMF stresses that the Belgian financial sector has become considerably more robust since the previous FSAP. Thus, the Belgian banks have strengthened and scaled down their balance sheets. The stress tests that the IMF conducted jointly with the National Bank and the European Central Bank show that the Belgian banking and insurance sector is able to absorb the risks of a simulated drastic deterioration in macrofinancial conditions.

Challenges and recommendations

Apart from this generally favourable assessment of the health of the Belgian financial sector, the IMF also mentions a number of challenges.

For instance, the IMF finds potential vulnerabilities in the Belgian residential property sector, associated with the current favourable economic conditions. In particular, the IMF notes the rising debt level of Belgian households. For that reason, the IMF expresses its support for the additional macroprudential capital requirement proposed by the National Bank. That measure should cause the banks to strengthen their capital buffers in order to absorb any losses in their mortgage portfolio. The IMF also recommends simplifying the procedures for deciding on macroprudential rules in order to permit an effective response to macroprudential developments. This recommendation will be further analysed by the National Bank.

In addition, the IMF focuses on the development of a European Banking Union. In its view, until such time as the European Banking Union is completed (for instance, there is still no European deposit guarantee mechanism), prudential supervision at European banking group level must be accompanied by sufficiently robust prudential attention to the group's systemic subsidiaries. In the case of Belgium, that is important because a number of systemic subsidiaries have a significant position in the financial sector. In that context, the IMF also stresses that, during the transitional period to a full Banking Union, it is essential to maintain sufficient capital and liquidity at subsidiary level.

More details on the various recommendations may be found in the “[Financial System Stability Assessment](#)” and in the three accompanying technical Notes. Those Notes concern 1) [the supervision of the banking and insurance sector and financial conglomerates](#); 2) [the control of financial crises](#); and 3) [the stress tests on the Belgian banking and insurance sector](#).

The National Bank welcomes the analysis and recommendations in the FSAP report. During 2018, in consultation with the other Belgian authorities, the National Bank will take the lead in implementing the recommendations addressed to it.