

Statement of the Financial Stability Committee 16 December 2020

A more accommodative monetary stance has supported asset markets, enabled households and businesses to deal with the repercussions of the pandemic, and maintained financial stability. The reduction in the countercyclical capital buffer and measures to boost market liquidity have made it easier for financial institutions to work with distressed borrowers while simultaneously maintaining their lending capacity. In the Committee's opinion, cyclical systemic risk has not increased to any marked degree in the recent term.

The three large commercial banks are in a strong capital and liquidity position. Credit spreads on their bond issues have fallen. As a result, the banks have ready access to liquidity in both krónur and foreign currencies, which they have used for refinancing. They are therefore well positioned to address the repercussions of the pandemic.

The low-interest environment gives rise to new challenges in the financial market. This is particularly the case for the pension funds, which are dominant players in the domestic financial market and are systemically important. It is therefore important that the strategy formulation currently underway for the pension system take into account the pension funds' impact on financial stability.

The Financial Stability Committee has decided to designate the Central Bank's new interbank payment system and the Nasdaq CSD SE securities settlement system as systemically important infrastructure.

The Committee is required to determine the value of the countercyclical capital buffer on financial institutions on a quarterly basis and has decided to keep the buffer unchanged.

The Financial Stability Committee is prepared to use every tool at its disposal to safeguard financial stability in Iceland.