Interconnections between the Austrian banking sector and debt securities markets

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Banks use debt securities markets to finance and refinance their activities and to manage liquidity. Debt securities offer many advantages regarding liquidity management, earnings stability and regulatory compliance. Yet, they also harbor risks in times of economic stress, as seen in the past in connection with bank collapses in the USA. Effective risk management and supervision are important to ensure that interconnected relationships do not compromise financial stability. It is therefore of great benefit if the requirements for issuing and holding financial instruments rest on a harmonized regulatory environment such as that provided by the European Union (EU). At the end of 2023, the majority of debt instruments issued by the Austrian banking sector were held by counterparties from the EU and the euro area. The securities on the banks' books were also predominantly issued by counterparties from these regions. Refinancing from the EU and the euro area is crucial for the Austrian banking sector, as the strict European regulatory framework effectively reduces banks' risk profiles. We use empirical data to show the most important trends over recent years (2017–2023). Austrian banks' debt instruments grew significantly, with the volume of debt securities holdings increasing by 12.3% and that of debt securities issues surging by 50.6%. The counterparty composition shifted on both sides of the balance sheet. For one thing, debt securities issued by monetary financial institutions (MFIs) grew in prominence. For another, Austrian counterparties reduced their holdings, which was offset by a rise in EU and euro area counterparties. The changes highlight the deepening interconnection of banks with debt securities markets. This is addressed by both microprudential and macroprudential supervisory measures. In addition, the greater geographical diversity of counterparties, which are mainly from the EU and the euro area, contributes to a broader distribution of risk.

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Keywords: securities holdings statistics, banks securities holdings, bank securities portfolios, portfolio investment, debt securities, banking statistics, Eurosystem

In this study, we analyze the interconnectedness of the Austrian banking system and debt securities markets from 2017 to 2023[2]. We explore various aspects of debt securities held and issued by Austrian banks, including shifts in the regional composition, types of holders and issuers, and the main components of these portfolios. We start by giving an overview of the size, relevance and recent developments of Austrian banks' balance sheets and the Austrian bond market. After that, we analyze debt securities on the asset and liability sides of Austrian banks, revealing key changes over the last few years. We find that several measures mitigate the implications for financial stability, namely micro- and macroprudential supervisory measures like the supervisory review and evaluation process (SREP) and capital buffers for structural systemic risks.

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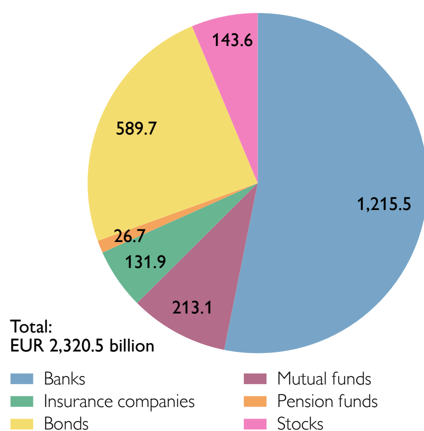
[2] *Data of the ECB's securities holdings statistics became available in 2017.*

Chart 1

Components[1] of the Austrian financial system

EUR billion



Total:
EUR 2,320.5 billion

Banks
Insurance companies
Bonds
Mutual funds
Pension funds
Stocks

Source: OeNB.

[1] As measured by total assets, debt outstanding, assets under management and market capitalization.

Note: Data as at Q4 23.

1 Size, relevance and recent developments of the Austrian banking sector and the Austrian bond market

From 2008 to 2017, the consolidated total assets of the Austrian banking sector declined by 19.2%, from EUR 1,175.6 billion to EUR 949.3 billion. However, starting in 2017, the sector's balance sheet began to grow steadily, reaching EUR 1,215.5 billion at the end of 2023, which equals an increase of 28%. During the same period, debt market financing surged notably, with the total volume reaching EUR 589.7 billion in 2023 (chart 1).[3] The growth of Austrian banks' balance sheets and bond markets between 2017 and 2023 was driven by a combination of macroeconomic, financial and policy factors. Key among these was the prolonged low interest rate environment, a response by the ECB to the euro area debt crisis and to persistently low inflation. Coupled with significant ECB interventions, this environment facilitated the issuance of bonds by both banks and corporates. The ECB interventions included the asset purchase programme (APP)[4] and targeted longer-term refinancing operations (TLTROs)[5]. The COVID-19 pandemic resulted in further support provided by governments and ECB measures like the pandemic emergency purchase programme (PEPP), which helped stabilize the economy and the banking sector. Additionally, government borrowing surged in the aftermath of the global financial crisis and during the pandemic, with government bond issuance increasing notably. Corporates, seeking liquidity for expansion or refinancing, also contributed to the growing bond market. And so did investors searching for higher yields in a low interest environment. Moreover, starting from 2017, regulatory reforms were implemented that aimed at increasing market transparency, enhancing investor protection and promoting sustainable finance. They further boosted the attractiveness of bond markets, encouraging growth in bond financing.

[3] The figures are available on the OeNB's website at https://www.oenb.at/en/Statistics/Standardized-Tables/Securities/Debt-Securities.html. However, note that double counting may not be ruled out due to bond issuances by banks with a volume of EUR 183.2 billion at end-2023.

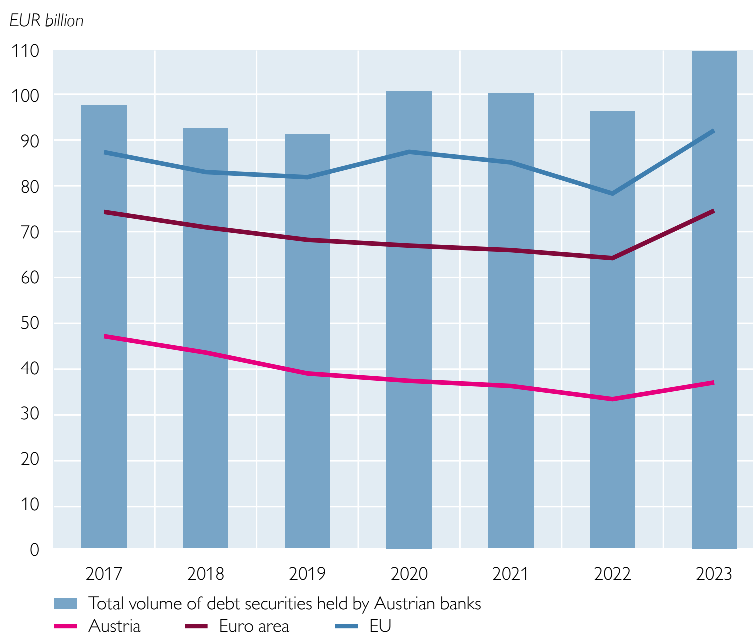
[4] The APP consists of the corporate sector purchase programme (CSPP), the public sector purchase programme (PSPP), the asset-backed securities purchase programme (ABSPP) and the third covered bond purchase programme (CBPP3). For further information, see https://www.ecb.europa.eu/mopo/implement/app/html/index.en.html.

[5] Targeted longer-term refinancing operations, like the third series of such operations (TLTROs III), aimed to provide banks with long-term funding at attractive conditions to stimulate bank lending to the real economy.

2 Developments relating to debt securities on the asset side of the Austrian banking sector since 2017

Chart 2

Total volume of debt securities held by Austrian banks



Source: OeNB.

Note: The lines reflect volumes in EUR billion.

Banks hold debt securities for several important reasons, with regulatory liquidity requirements playing a significant role. High-quality liquid assets[6] are essential for meeting the liquidity coverage ratio (LCR). They ensure that banks have sufficient liquid assets to handle short-term cash outflows during periods of stress. Additionally, bonds contribute to long-term balance sheet stability by helping banks meet the net stable funding ratio (NSFR). That ratio requires more stable funding sources over a one-year horizon.

At the end of 2017, Austrian banks held EUR 97.9 billion in debt securities[7], which accounted for around 80% of banks' entire securities portfolio[8]. By end-2023, banks' bond holdings had increased by 12.4% since 2017, to EUR 109.9 billion. However, this growth was not linear, with fluctuations throughout the years. Notable increases occurred in 2020 and 2023, while other years saw declines. Especially by year-end 2019, the total volume of debt securities had declined to EUR 91.6 billion (chart 2). The decrease was largely driven by low bond yields, as during that period many bonds carried fixed interest rates[9], and matured bonds were often not replaced. Besides, the reduction was ascribable to a shift toward more profitable lending opportunities, spurred by the low interest rate environment. Another factor were cautious investment strategies in response to global and EU market uncertainties such as the upcoming Brexit in 2020. Regulatory considerations likewise contributed to the decline. Moreover, government and corporate debt securities offered lower yields, which had an impact on risk-weighted assets. In 2020, the COVID-19 pandemic led to a significant economic shift. Price slumps on international financial markets and the economic downturn both in the EU and in Austria prompted comprehensive monetary and fiscal measures. The ECB measures, like the TLTROs and the PEPP, played a pivotal role as they included large-scale purchases of government and corporate bonds. The PEPP increased market liquidity, incentivizing banks to hold more bonds to use as collateral. Consequently, Austrian banks increased their holdings of debt securities to EUR 101 billion in 2020, and that level remained almost stable

[6] *For instance government bonds issued by countries with a strong credit rating.*

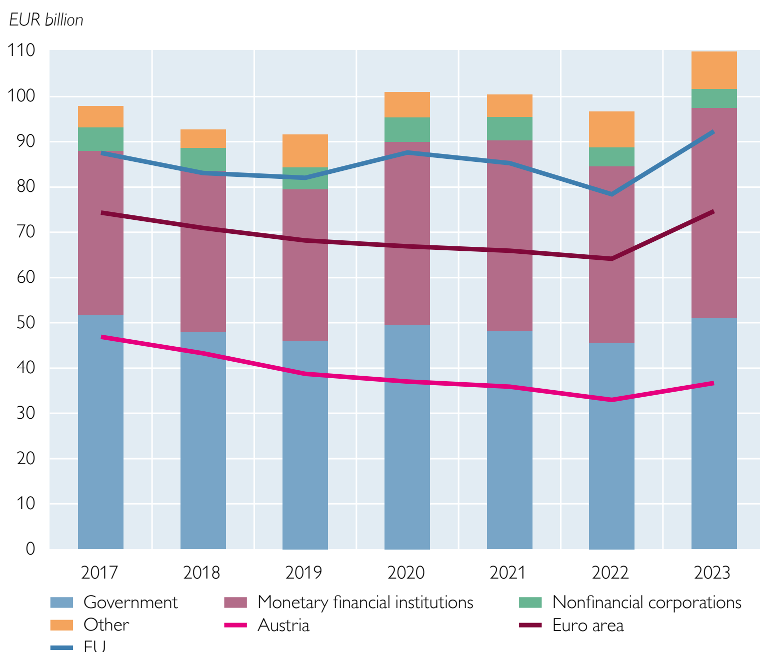
[7] *Values are based on market values, unless otherwise stated in the text.*

[8] *Around 20% of banks' portfolios are equities like stocks, mutual fund shares, money market fund shares, etc.*

[9] *Approximately 75% of debt securities.*

Chart 3

Total volume of debt securities by sector



Source: OeNB.

Note: The lines reflect volumes in EUR billion.

throughout 2021. In 2022, when interest rates began to rise and the COVID-19 crisis subsided, the market volume fell to EUR 96.7 billion. Yet in 2023, bond volumes reached a new high of nearly EUR 110 billion, driven by improved yields and banks' strategic responses to rising borrowing costs and tighter liquidity conditions.

Analyzing the composition of Austrian banks' portfolios reveals the following: Throughout the 2017–2023 period, government bonds and bonds issued by monetary financial institutions (MFIs)[10] played a prominent role. They accounted for 90% of the total volume of debt securities in 2017, and for 88.7% in 2023, thus staying almost stable. As evident in chart 3, their respective relevance shifted somewhat over time. While the total volume of government bonds (around EUR 51 billion) remained relatively stable, their share in the portfolio declined from 52.8% to 46.4%. By contrast, MFI bonds rose from EUR 36.4 billion in 2017 to EUR 46.4 billion in 2023, with their share in the portfolio increasing from 37.2% to 42.3%. The reduction in government bonds was primarily driven by a continuous decline in the volume of Austrian government bonds between 2017 and 2022 (–48.5%), caused mainly by the search for higher yields in a low interest rate environment (chart 4). During this period, Austrian government bonds offered lower yields compared to those of other euro area countries, such as Spain, which prompted investors to seek more attractive alternatives. In 2022, Austrian government bonds plunged by 20.3%, as the termination of the ECB's APP and PEPP reduced demand for government debt securities.[11] The ECB's key interest rate hikes in 2022 and 2023 led to a sharp drop in the market value of all types of bonds, especially those with longer maturities. Despite these reductions, 2023 saw a 13.8% increase in total debt securities holdings, driven largely by banks' need to maintain liquidity buffers. Non-EU government bonds, particularly from the USA, also gained prominence, growing by 18.5% in 2023.[12]

By the end of 2023, Austrian banks' securities portfolios largely consisted of debt securities issued by governments (46.4%) and MFIs (42.3%). EU issuers

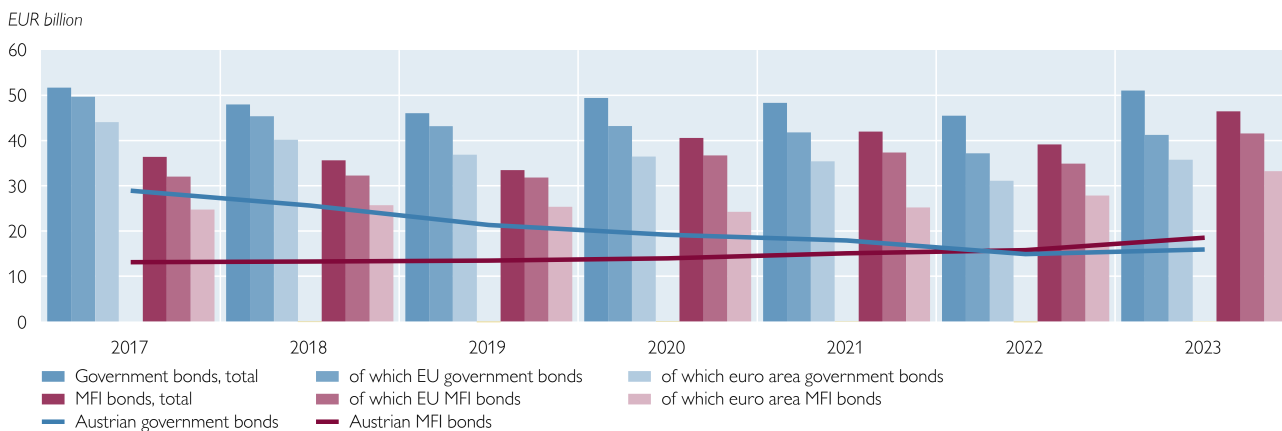
[10] *According to the European System of Accounts (ESA), MFIs include central banks and deposit-taking corporations such as commercial banks. In the context of this study, the term "MFI" is used for credit institutions and other licensed deposit-taking corporations.*

[11] *For further information, see the ECB's Annual Reports 2017–2023 at https://www.ecb.europa.eu/press/annual-reports-financial-statements/annual/html/index.en.html.*

[12] *US and Japanese government bonds were the largest non-EU securities positions at end-2023, each amounting to EUR 1.3 billion.*

Chart 4

Debt securities of Austrian banks by main sectors



Source: OeNB.

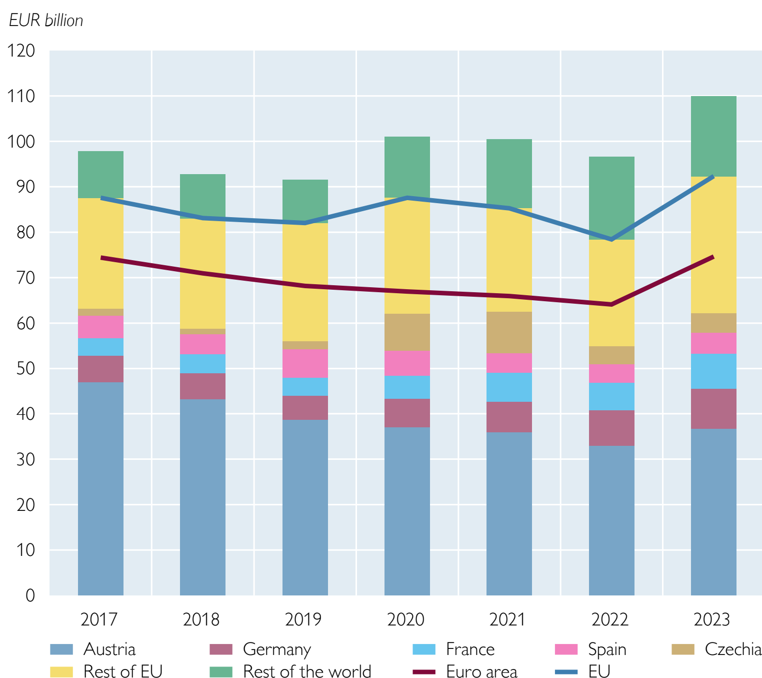
Note: The lines reflect volumes in EUR billion.

accounted for over 84% and euro area issuers for 67.9% of the portfolios. Euro area government bonds accounted for 32.5% and euro area MFIs accounted for 30.2%, while EU government bonds and EU MFIs each reached 38%[13].

As can be seen in chart 5, in 2023, the most important countries of origin were Austria (33.4%), followed by Germany (8.1%), France (7.1%) and Spain (4.2%). The share of Austrian debt securities, while still the largest component of banks' securities portfolios, declined significantly from 2017 to 2023, namely from 48% to 33.4%. This reduction is primarily linked to the substantial decrease in Austrian government bond holdings, which dropped from EUR 28.9 billion in 2017 to EUR 15.9 billion by end-2023. Moreover, the importance of MFI bonds grew considerably during the same period, rising by 27.5%. Notably, the increase in Austrian MFI bonds,

Chart 5

Total volume of debt securities by region



Source: OeNB.

Note: The lines reflect volumes in EUR billion.

[13] *Debt securities issued by EU MFIs in Austrian banks' portfolios totaled EUR 41.6 billion. They were mainly issued by MFI counterparties in Austria (EUR 18.5 billion), Germany (EUR 4.9 billion), France (EUR 4.7 billion), Czechia (EUR 3.0 billion). Overall, Austrian banks held MFI securities worth EUR 46.5 billion.*

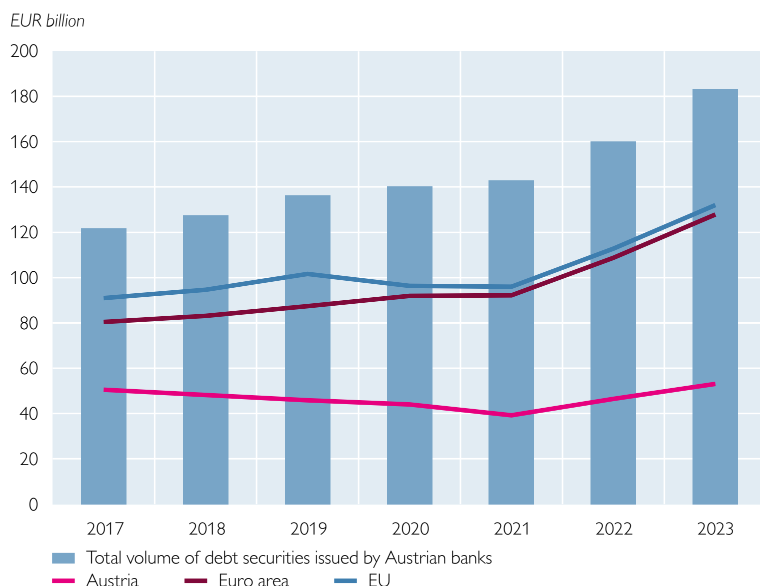
from EUR 13.1 billion to EUR 18.5 billion (+41.2%), partially offset the decline in government bonds. The rise in MFI bonds highlights the growing interconnectedness between Austrian banks and their EU counterparts through debt securities, which reinforces contagion risk. This risk is mitigated by macroprudential measures such as the capital buffer regime. Additionally, the reduction in Austrian government bonds points to a broader trend of regional diversification. The share of EU and euro area (excluding Austria) debt securities in Austrian banks' portfolios increased from 41.6% and 28.1% in 2017 to 50.6% and 34.5% in 2023, respectively.

3 Developments relating to debt securities issued by Austrian banks since 2017

At the end of 2017, the total volume of debt securities issued by Austrian banks stood at EUR 121.7 billion. By end-2023, this figure had surged to EUR 183.2 billion, which represents a 50.6% increase between 2017 and 2023 (chart 6). This underscores the growing importance of bonds as a financing tool for Austrian banks. Notably, the total volume of issued bonds significantly exceeds the volume of bonds held by banks (EUR 109.9 billion) in 2023. Over the same period, the rate of growth in banks' financing through debt issuance (50.6%) vastly outpaced the growth of bond investments held by banks (12.3%). From 2017 to 2019, the volume of debt securities issued by Austrian banks grew moderately. This was due to the relatively stable economic environment until the end of 2019, characterized by low interest rates and the ECB's accommodative monetary policy. The ECB's TLTRO programs also meant that demand for debt instruments issued by banks was lower, as the long-term financing options via the ECB were more attractive for banks than market-based funding (Barbiero et al., 2021). In 2020, the COVID-19 pandemic created significant uncertainty. However, the ECB's extensive stimulus measures, such as the PEPP, provided vital liquidity and supported the bond markets. Debt issuance thus recovered throughout 2020 and 2021, despite the uncertain environment. Beginning with 2022, TLTRO III repayments led to higher refinancing needs through debt securities. Banks increased their issuance of debt securities to capitalize on still low interest rates while also meeting regulatory requirements. The latter included liquidity requirements like the liquidity coverage ratio (LCR), the net stable funding ratio (NSFR) and the minimum requirement for own funds and eligible liabilities (MREL) under the EU's Bank Recovery and Resolution

Chart 6

Total volume of debt securities issued by Austrian banks



Source: OeNB.

Note: The lines reflect volumes in EUR billion.

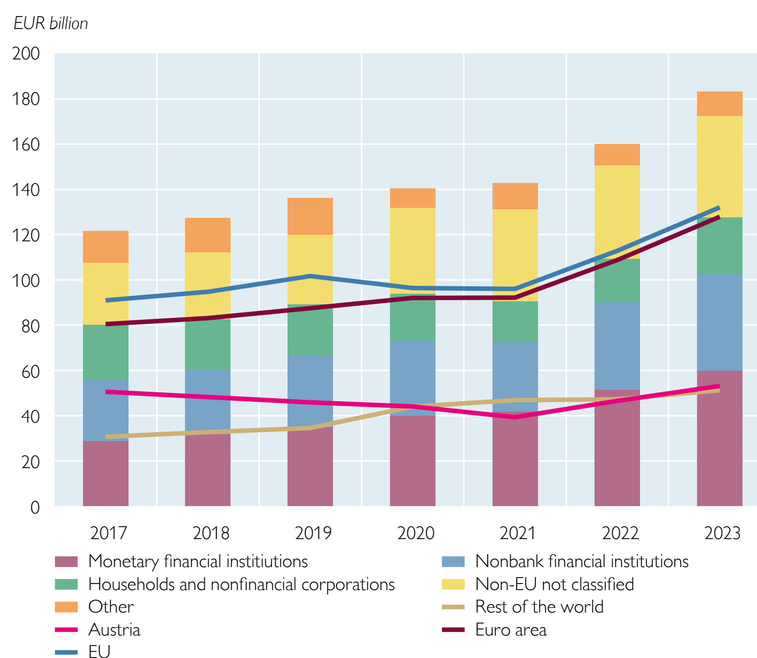
Directive.[14] This regulatory framework compelled banks to issue MREL-eligible securities to fulfill supervisory standards and enhance their financial resilience. In response to inflation, the ECB began to tighten its policy in 2022, and started to reduce the ample supply of liquidity via TLTROs. Thus, Austrian banks resumed issuing debt securities, which substantially increased issuance volumes, by 12% in 2022 and 14.5% in 2023.

The sectoral analysis (chart 7) revealed that in 2017 MFIs held the largest share of Austrian banks' debt securities (23.7%), followed closely by nonbank financial institutions (22.3%) and households and nonfinancial corporations (19.9%). Notably, one-quarter of Austrian bank bonds was held by investors outside the EU, which led to data gaps concerning most of those positions.[15] As a result, in 2017, for 22.6% of the bonds no detailed information regarding the counterparty was available beyond the country of origin. An additional 11.5% were held by other counterparties, such as governments. From 2017 to 2023, the composition shifted consistently toward a higher share of MFI holders, which had reached nearly one-third (32.7%) by end-2023. The distribution became more distinct, with 24.6% unclassified, 23.2% held by nonbank financial institutions, 13.7% by households and nonfinancial corporations and 5.8% by other counterparties. Especially from 2017 to 2019, households significantly reduced their holdings of bank debt securities (–21.9%). At the same time, MFIs increased their holdings of bank debt securities by 19.4%, while the holdings of nonfinancial corporations remained almost stable. This general trend persisted until the end of 2023. The "other" section also saw a decline, which was offset by MFIs.

A closer look at the EU holders of Austrian bank debt securities reveals that in 2017 counterparties within the EU and the euro area held a substantial portion of Austrian banks' debt securities. EU holders accounted for 74.8% or EUR 90.9 billion and euro area holders for 66.1% or EUR 80.5 billion (chart 8). Over time, this composition shifted slightly, with the shares of EU and euro area counterparties adjusting to 72.1% and 69.8% in 2023. This change is partly attributable to the Brexit in 2020. The UK's withdrawal from the EU reduced the proportion of

Chart 7

Holders of Austrian bank debt securities by sector



Source: OeNB.

Note: The lines reflect volumes in EUR billion.

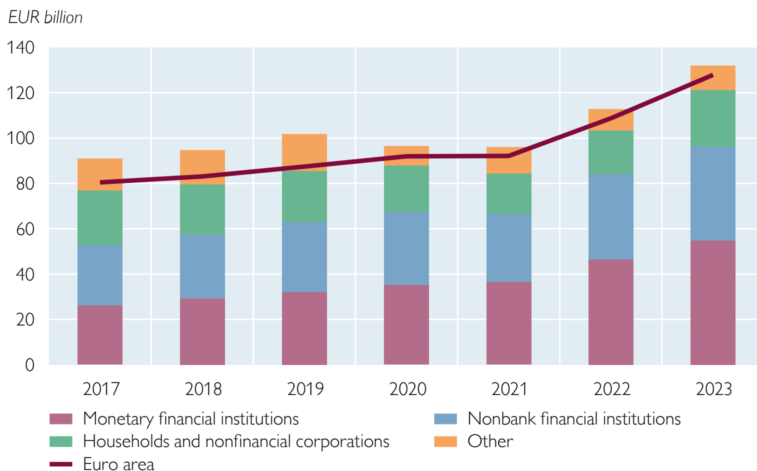
[14] *The MREL is a regulatory standard established under the EU's Bank Recovery and Resolution Directive. It requires banks to maintain a sufficient level of capital and eligible liabilities to absorb losses during financial distress. Compliance with regulatory requirements is ensured by issuing debt, particularly MREL-eligible securities such as subordinated or senior unsecured bonds.*

[15] *The security holdings statistics do not include data outside the euro area.*

Chart 8

EU holders of Austrian bank debt securities by sector

EUR billion



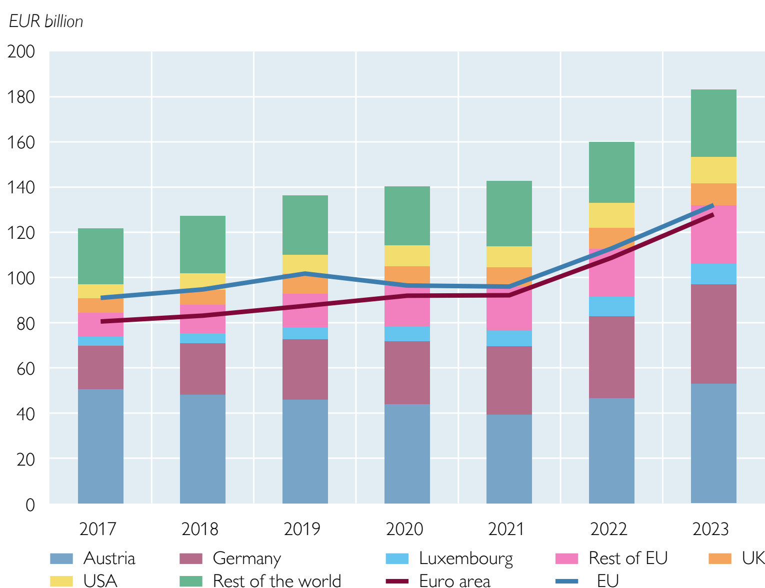
Source: OeNB.

Note: The line reflects volumes in EUR billion.

Chart 9

Holders of Austrian bank debt securities by region

EUR billion



Source: OeNB.

Note: The lines reflect volumes in EUR billion.

EU-based holders. Nevertheless, the EU – particularly the euro area – remains the most significant region in terms of holders of Austrian debt securities.

As to the debt securities issued by Austrian banks (chart 9), a breakdown of holders by region was as follows in 2017: Austria (41.5%), followed by Germany (15.9%), the UK (5.3%), the USA (4.9%) and Luxembourg (3.2%). Over time, this regional composition shifted notably, with the share of Austrian holders shrinking significantly. In 2023, Austrian counterparties held just 29%, while Germany's share had increased to 24%, that of the USA to 6.5%, that of the UK to 5.2% and that of Luxembourg to 5%. The 12.5 percentage point decline in Austrian holders was nearly offset by an 8.1 percentage point rise in German holders, which reflected a notable redistribution of bond holdings across regions.

In summary, between 2017 and 2023, the volume of debt securities issued by Austrian banks surged by 50.6%, reaching an impressive EUR 183.2 billion, which underscored banks' increasing reliance on bonds as a financing tool. This growth was accompanied by a significant shift in counterparty composition, with MFIs rising in prominence to account for nearly one-third of holders in 2023. This trend highlights the deepening interconnection among banks via debt securities markets, mirroring developments on the asset side. Furthermore, the data illustrate the ongoing integration of the Austrian banking sector into the euro area and broader EU financial system, which is evident on both sides of the balance sheet. Austrian counterparties' declining importance on the liability side mirrors trends on the asset side. But from 2017 to 2023, the shares of EU and euro area holders (excluding Austria) rose from 33.2% and 24.6% to 43.1% and 40.8%, respectively.

4 Risks and regulatory environment relating to banks' debt securities

Effective risk management is critical in the context of bonds: they can expose banks to significant challenges, particularly during periods of economic volatility. Main risks are:

1. Interest rate risk, which is the risk that changing interest rates will negatively affect the market value of bonds. This effect is more pronounced, the longer the bond maturity is.
2. Credit risk, which is the risk that the issuer of a bond will default and fail to make interest rate payments or repay the principal. If the creditworthiness of the issuer is deteriorating, losses can occur. Credit risk is typically higher for corporate bonds than for government bonds.
3. Liquidity risk arises when bonds cannot be sold quickly in periods of market stress. If a bank faced sudden withdrawals, bonds could be sold with losses amid unfavorable market conditions.
4. Contagion risk, which refers to the risk that one bank's financial distress may spread to other institutions. Such transmission can occur through debt securities, particularly if counterparty risks arise among financial institutions.

In the case of recent bank failures in the USA, such as Silicon Valley Bank, both interest rate and liquidity risks materialized, which ultimately led to the bank's collapse. Sharp declines in the market value of its bond portfolio triggered a liquidity crisis, and the bank could no longer meet depositor demands. To prevent such outcomes, the EU has established a comprehensive regulatory framework to address the risks associated with bonds in banks' portfolios. This framework, including regulations like the CRD, CRR, EMIR, BRRD,[16] along with the supervisory review and evaluation process (SREP),[17] enforces strict risk management rules designed to strengthen financial stability. These regulations impose extensive requirements on banks for managing credit, liquidity, interest rate and contagion risks, including micro- and macroprudential measures like capital buffers and stress testing. Effective supervision is ensured by the ECB and national competent authorities, based on a legal framework that guarantees consistent enforcement of harmonized supervision standards across the EU. As a result, the Austrian banking sector has improved its capitalization and liquidity position, which has significantly reduced financial stability risks. The EU's stringent regulatory approach to managing risks in banks' bond portfolios has also proven effective during recent stress periods. It was supported by both micro- and macroprudential measures and the dominance of EU and euro area counterparties in Austrian banks' debt security portfolios.

[16] *CRD: Capital Requirements Directive – EU legislation setting out the rules on capital, liquidity and governance for banks. CRR: Capital Requirements Regulation – a regulation that complements the CRD, providing the detailed rules on how banks should calculate their capital requirements. EMIR: European Market Infrastructure Regulation – EU regulation that enhances transparency and reduces risk in the over-the-counter (OTC) derivatives market. BRRD: Bank Recovery and Resolution Directive – EU legislation that establishes a framework for the recovery and resolution of failing banks to protect financial stability and minimize taxpayer exposure.*

[17] *The SREP is conducted by the ECB and the national regulators aiming to assess banks' risk management practices and determine additional capital requirements to enhance banks' resilience.*

5 Summary and concluding remarks

The period from 2017 to 2023 was characterized by significant economic fluctuations, namely the COVID-19 pandemic, Russia's invasion of Ukraine, the energy crisis and the transition from a low interest rate environment to rising interest rates aimed at reducing inflation. Austrian banks expanded their portfolios of debt instruments despite the challenges presented by valuation losses and liquidity constraints during crises. To mitigate the difficult situation, the ECB took proactive measures, such as the asset purchase programme (APP) and targeted longer-term refinancing operations (TLTROs). These measures affected both the asset and liability sides of Austrian banks. From 2017 to 2023, the total volume of debt securities held by Austrian banks increased by 12.4%, reaching EUR 109.9 billion, while debt securities issued grew by 50.6%, to EUR 183.2 billion. This underscores the critical role that bond refinancing plays in meeting regulatory standards such as the minimum requirement for own funds and eligible liabilities (MREL) and liquidity requirements. Austrian counterparties, however, saw a decline in significance. Dropping by 15 percentage points since 2017, the share of Austrian debt securities in banks' portfolios only made up one-third of the portfolio in 2023, which was largely due to a EUR 13 billion reduction in Austrian government bonds. Similarly, on the liability side, the share of Austrian counterparties shrank by 12.5 percentage points, which reduced their stake to 29% in 2023. This decline was almost fully offset by an increase in EU and euro area counterparties. Given the well-developed and harmonized regulatory regime and supervision in the EU, the large share of EU counterparties on both sides of the balance sheet is considered to be a risk-mitigating factor. Moreover, the growing diversification of counterparties distributes risk across a broader range of countries. From 2017 to 2023, the counterparty composition shifted notably on both sides of the balance sheet. On the asset side, the share of MFI debt securities increased by 5.1 percentage points, reaching 42.3% of Austrian banks' portfolios. On the liability side, MFIs accounted for 32.7% of Austrian banks' debt securities in 2023, reflecting a 9% rise since 2017. This trend highlights a growing interconnection of banks with debt securities markets, which has important implications for financial stability as contagion risk intensifies. This risk is, however, mitigated by effective micro- and macroprudential supervisory measures like the supervisory review and evaluation process (SREP) and capital buffers for structural systemic risks.

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Annex

Main changes of the EU regulatory environment relating to the bond market since 2017

Since 2017, the regulatory environment relating to the bond market has changed significantly. In the following, we summarize the main drivers: EU directives, global financial stability initiatives and national regulations.

1. MIFID II (implemented in January 2018)

At the beginning of 2018, the EU directive on markets in financial instruments, known as MIFID II, was transferred into Austrian law,[18] which led to stricter transparency requirements for bond trading and trade transparency for bond transactions. The aim was to enhance market efficiency and investor confidence.

2. Prospectus Regulation (effective since July 2019)[19]

The EU Prospectus Regulation, which replaced the former prospectus directive, became applicable in July 2019. It simplified the prospectus requirements for bond issuances, especially for small and medium-sized enterprises (SMEs) by standardizing disclosure requirements. This made it easier for undertakings to access bond markets and therefore increased bond issuances.

3. Benchmark Regulation (effective since January 2018)[20]

The regulation governs the use of benchmarks in financial instruments like bonds. Benchmarks used in bond contracts must meet certain standards, which prevents manipulation. Benchmarks are crucial for properly calculating financial metrics, e.g. interest rates. The regulation has contributed to investor confidence in bonds.

4. Sustainable Finance Disclosure Regulation (effective since 2021)[21]

This EU regulation requires financial market participants to disclose how they integrate environmental, social, and governance (ESG) factors into their investment decisions. It aims to influence the development of the green bond market in Austria. Issuers are required to provide detailed disclosures on the sustainability of their bonds, which increases transparency and encourages more green bond issuances.

[18] *Securities Supervision Act 2018 (Wertpapieraufsichtsgesetz 2018 – WAG 2018; Federal Law Gazette I No. 237/2022).*

[19] *Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.*

[20] *Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.*

[21] *Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.*

5. Implementation of the EU Green Bond Standard (2023)[22]

The EU implemented an EU-wide standard, which is voluntary, to open up new opportunities for issuers and investors and to tackle greenwashing. The standard is aimed to set up clear criteria for bonds to qualify as "green." While not fully implemented yet, this standard is expected to develop the green bond market in Austria further by providing a trusted label for green investments. Austrian issuers are preparing to align with this standard with a view to ensuring that their bonds meet stringent environmental criteria. Anticipating and gradually implementing this standard already encourages higher standards for green bonds, which fosters growth of sustainable finance in Austria.

These regulatory improvements have made Austria's bond market more transparent, sustainable and accessible, aligning it with broader European and global financial standards. All these enhancements aiming at investor protection, market integrity and sustainable finance have contributed to the Austrian bond market's growth and resilience, which are key in the face of global and economic challenges.

[22] *Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds.*