Notification template for borrower-based measures

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the European Central Bank (ECB);
- DARWIN/ASTRA when notifying the European Systemic Risk Board (ESRB).

This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure[1].

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority and scope of the notification		
1.1	Name of the notifying authority	FIN-FSA
1.2	Country of the notifying authority	Finland
1.3	Type of borrower-based measure	Please select one of the measures listed below: ☒ Debt-service-to-income (DSTI) ☐ Loan-to-income (LTI) ☐ Loan-to-value (LTV) ☐ Debt-to-income (DTI) ☐ Loan maturity ☐ Other (please provide a short, name-like description here and provide more details in Section 2)
1.4	Type of notification	What do you intend to notify? ☒ Activation of a new measure ☐ Change to an existing measure ☐ Extension of an existing measure ☐ Termination of an existing measure

[1] On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

2. Description of the measure		
2.1	Description of the measure	Recommendation on ‘stressed’ debt-service-to-income (DSTI) ratio of a borrower should, as a rule, be no more than 60% of net income. The stressed servicing costs should be calculated with a maturity of no more than 25 years and an interest rate of at least 6% (except for loans with long-term interest rate hedges and fixed-rate loans). New housing loans with a stressed DSTI ratio of over 60% should account for no more than 15% of the euro volume of new housing loans granted by the lender in a calendar year.
2.2	Definition of the measure	See above
2.3	Legal basis and process of implementation of the measure	Recommendation, in force 1.1.2023
2.4	Coverage	a. Which types of credit providers will be covered by the measure? All entities supervised by the FIN-FSA
		b. Which types of borrowers will be covered by the measure? Households

		c. Which types of lending will be covered by the measure? Mortgage loans
2.5	Calibration	Intention was to preserve the status quo as regards households' aggregate debt profile relative to income.
3. Timing for the measure		
3.1	Timing for the decision	What is the date of the official decision of the notified measure? 27/06/2022 The recommendation was partly revised on 28 September 2023.
3.2	Timing for publication	What is the date of publication of the notified measure? 28/06/2022
3.3	Disclosure	Provide information about the strategy for communicating the notified measure to the market. Press release, publication on website.
3.4	Timing for the application	What is the intended date for application of the measure? What is the intended timeline for phase-in of the measure, if relevant? 01/01/2023
3.5	End date (if applicable)	Until when is it presumed that the measure will be in place? If applicable, please give an end date. n.a. Click here to enter a date.
4. Reason for activation of the measure		

4.1	Description of the macroprudential risk	Describe the macroprudential risk to be addressed by the proposed macroprudential measure. Growing and record high household indebtedness
4.2	Indicators used for activation of the measure	Provide the indicators triggering activation of the measure. Provide the data on which the decision is based if possible (preferably in an Excel file). Household debt-to-income levels
4.3	Effects of the measure	Provide your assessment of the effects of the measure on your domestic banking system, other parts of the financial system, the real economy and financial stability in your country. Preservation of status quo as regards household indebtedness relative to income.
5. Sufficiency, consistency and non-overlap of the policy response		
5.1	Sufficiency of the policy response	For a macroprudential policy to be ‘sufficient’, the policy responses must be deemed to significantly mitigate, or reduce the build-up of, risks over an appropriate time horizon with a limited unintended impact on the general economy. Note that the ESRB will use this assessment of the macroprudential stance as relevant input in assessing the sufficiency of the macroprudential policy in the Member State. Please provide any additional information that the ESRB should consider in assessing the sufficiency of the policy response.

		The DSTI limit constitutes only one measure in order to limit household indebtedness.
5.2	Consistency of application of the policy response	For a macroprudential policy to be 'consistent', the policy instruments must be deemed to meet their respective objectives, as outlined in ESRB/2013/1[2], and they must be implemented in accordance with the common principles set out in the relevant legal texts. Note that the ESRB assessment of consistency will consider whether the same systemic risks are addressed in a similar way across and within the Member States over time. Please provide any additional information that the ESRB should consider in assessing the consistency of the policy response. The DSTI limit applies to all supervised entities (conduct of business).
5.3	Non-overlap of the policy response	For a policy instrument to be 'non-overlapping', it should aim to address a systemic risk that either differs from the risk addressed by other active tools in the same Member State, or to be complementary to another tool in that Member State which addresses the same systemic risk. - Are other policy instruments used to address the <u>same</u> systemic risk? - If yes, please explain the need for more than one instrument to address the same systemic risk and

[2] Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1) (OJ C 170, 15.6.2013, p. 1).

		how the different instruments interact with each other. The DSTI-limit does not overlap.
6. Cross-border and cross-sector impact of the measure		
6.1	Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2[3])	Assessment of the cross-border effects of implementation of the measure. a. Assessment of the spillover channels operating via risk adjustment and regulatory arbitrage. The relevant indicators provided in Chapter 11 of the ESRB Handbook on Operationalising Macroprudential Policy in the Banking Sector[4] and the Framework to assess cross-border spillover effects of macroprudential policies of the ECB Task Force on cross-border spillover effects of macroprudential measures can be used. b. Assessment of the: ○ cross-border effects of implementation of the measure in your own jurisdiction (inward spillovers); ○ cross-border effects on other Member States and on the Single Market of the measure (outward spillovers); ○ overall impact on the Single Market of implementation of the measure. The DSTI limit applies to all housing loans in Finland provided by supervised entities. In- and outward spillovers are estimated as negligible.
6.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	Referring to your Member State's specific characteristics, what is the scope for "leakages and regulatory arbitrage" in your own jurisdiction (i.e. circumvention of the measure/leakages to other parts of the financial sector)? Is there scope for "leakages and regulatory arbitrage" in other jurisdictions? Regulatory arbitrage is estimated as negligible.

[3] Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).
[4] Available on the ESRB's website at www.esrb.europa.eu.

6.3	Request for reciprocation	Do you intend to ask the ESRB to issue a recommendation to other Member States to reciprocate the measure? Choose an item. - If yes, please provide in Section 6.4 the justification for that reciprocity. - If no, what are the reasons for not requesting reciprocation? n.a.
6.4	Justification for the request for reciprocation	To request reciprocation, please provide the following: a. a concise description of the measure to be reciprocated; b. the financial stability considerations underlying the reciprocity request, including the reasons why the reciprocity of the activated measure is deemed necessary for its effectiveness; c. the proposed materiality threshold and justification for that level. If the ESRB deems the request for reciprocation to be justified, the description provided will form the basis for translation into all EU official languages for the purposes of an update of ESRB Recommendation 2015/2. n.a.
7. Miscellaneous		
7.1	Contact person(s)/mailbox at notifying authority	Peik Granlund, peik.granlund@fiva.fi, tel. +35891835236
7.2	Any other relevant information	
7.3	Date of the notification	Please provide the date on which this notification was uploaded/sent. 03/10/2023