**Notification template for Article 164 of the Capital Requirements Regulation (CRR) – Loss Given Default (LGD) values**

**Template for notifying the European Banking Authority (EBA), the European Central Bank (ECB) and the European Systemic Risk Board (ESRB) of the setting of higher minimum values for exposure-weighted average LGD values**

Please send/upload this template to:

* macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation[[1]](#footnote-1));
* notifications@esrb.europa.eu when notifying the ESRB;
* [eportal.eba.europa.eu](https://eportal.eba.europa.eu/) when notifying the EBA.

The ESRB will publish the higher minimum LGD values referred to in Article 164(6) CRR as implemented by the relevant authority. This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure[[2]](#footnote-2).

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

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| 1. **Notifying national authority**
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| **1.1 Name of the notifying authority** | Please provide the name of the notifying authority. |
| **1.2 Country of the notifying authority** | Please insert the country of the notifying authority. |
| 1. **Scope of the notification and description of the measure**
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| **2.1 Retail exposures secured by residential property** | 1. Do you intend to set a higher minimum exposure-weighted average LGD than that set out in Article 164(4) CRR for retail exposures secured by residential property and not benefiting from guarantees from central governments?
2. If yes, please specify:
* What is the higher minimum LGD value for retail exposures secured by residential property?
* To which what parts of your Member State territory will the new minimum LGD value for exposures specified above apply?
* To which property segment(s) will the new minimum LGD value for exposures specified above apply?
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| **2.2. Retail exposures secured by commercial immovable property** | 1. Do you intend to set a higher minimum exposure-weighted average LGD than that set out in Article 164(4) CRR for retail exposures secured by commercial immovable property and not benefiting from guarantees from central governments?
2. If yes, please specify:
* What is the higher minimum LGD value for retail exposures secured by commercial immovable property?
* To which parts of your Member State territory will the new minimum LGD value for exposures specified above apply?
* To which property segment(s) will the new minimum LGD value specified above apply?
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| **2.3 Other relevant information** | Any other relevant information. |
| 1. **Timing for the measure**
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| **3.1 Timing for the decision** | What is the date for the official decision? For SSM countries when notifying the ECB: provide the date on which the decision referred to in Article 5 of the Single Supervisory Mechanism Regulation (SSMR) will be taken.Click here to enter a date. |
| **3.2 Timing for publication** | What is the date for publication of the notified measure?Click here to enter a date. |
| **3.3 Disclosure** | Information about the strategy for communicating the notified measure to the market.Please provide a link to the public announcement, if any. |
| **3.4 Timing for application** | What is the intended date of application of the measure? Click here to enter a date. |
| * 1. **Frequency/review**
 | Does your decision to set higher minimum values for exposure-weighted average LGD have an expiry date? When will the decision be reviewed? |
| 1. **Reason for setting higher minimum values of exposure-weighted average LGD values**
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| **4.1 Regulatory context** | What are the current exposure-weighted average minimum values for exposure-weighted average LGD for residential and commercial immovable property?  |
| **4.2 Exposure-weighted average LGD values versus actual risks** | Specify the reasons why the exposure-weighted average minimum LGD values for exposures secured by mortgages on residential property or commercial immovable property located in one or more parts of the territory of your Member State do not reflect the actual risks associated with these exposures and put your answers into perspective in terms of the real estate markets of other European countries.  |
| **4.3 Motivation** | a) Loss experience* Provide details of the loss experiences in the real estate market of your Member State that has led you to conclude that higher exposure-weighted average minimum LGD values must be set.
* Which of the data referred to in Article 430a CRR were considered in your assessment?
* Provide any other indicators and other relevant information on the basis of which the assessment was made. If possible, please provide the data (preferably in an Excel file).
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| b) Forward-looking real estate market developments* Describe the forward-looking real estate market developments that led the relevant authority to conclude that higher exposure-weighted average minimum LGD values should be set.
* Provide the indicators and other relevant information on the basis of which the assessment was made. If possible, please provide the corresponding data (preferably an Excel file).
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| c) Financial stability considerations* What are the financial stability considerations that were taken into account?
* Please include the:
	+ factors that could ‘adversely affect current or future financial stability’ as referred to in Article 164(6) CRR; and,
	+ indicative benchmarks that you took into account in determining the higher minimum LGD values.
* Provide the indicators on the basis of which the assessment was made. If possible, please provide the corresponding data (preferably an Excel-file).
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| 1. **Sufficiency, consistency and non-overlap of the policy response**
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| **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 the assessment of the macroprudential stance as relevant input in assessing the sufficiency of the macroprudential policy in the Member States. Please provide any additional information that the ESRB should consider in assessing the sufficiency of the policy response concerned. |
| **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[[3]](#footnote-3), 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. |
| **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 be complementary to another tool in that Member State which addresses the same systemic risk. * Are other policy instruments used to address the same systemic risk?
* If yes, please explain the need for more than one instrument to address the same systemic risk and how the different instruments interact with each other.
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| 1. **Cross-border and cross-sector impact of the measure**
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| **6.1 Assessment of cross-border effects and the likely impact on the Internal Market****(Recommendation ESRB/2015/2[[4]](#footnote-4))** | Assessment of the cross-border effects of implementation of the measure.1. 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[[5]](#footnote-5) and the [Framework to assess cross-border spillover effects of macroprudential policies](https://www.ecb.europa.eu/pub/pdf/other/ecb.200428_framework_to_assess_cross-border_spillovers_of_macroprudential_policies~72576c7b4e.en.pdf) of the ECB Task Force on cross-border spillover effects of macroprudential measures can be used.
2. 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.
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| **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? |
| 1. **Miscellaneous**
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| **7.1 Contact person(s)/mailbox at notifying authority** | Contact person(s) (name, phone number and e-mail address) and mailbox for further inquiries. |
| **7.2 Any other relevant information** |  |
| **7.3 Date of the notification** | Please provide the date on which this notification was uploaded/sent.Click or tap to enter a date. |

1. Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63). [↑](#footnote-ref-1)
2. 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. [↑](#footnote-ref-2)
3. 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). [↑](#footnote-ref-3)
4. 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). [↑](#footnote-ref-4)
5. Available on the ESRB’s website at www.esrb.europa.eu. [↑](#footnote-ref-5)