



FIN-FSA Board decision on macroprudential tools: countercyclical capital buffer requirement, higher risk weights for mortgage loans or activation of other macroprudential tools

The Board of the Financial Supervisory Authority (FIN-FSA), at its meeting on 30 June 2015, decided not to impose a countercyclical capital buffer requirement (variable capital add-on) as referred to in chapter 10, section 4 of the Credit Institutions Act

At the meeting in question, the FIN-FSA Board also decided not to introduce other macroprudential tools, i.e. higher than regulatory minimum capital requirements to be applied to exposures secured by mortgages on immovable property, as referred to in Articles 124 and 164 of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (*the Capital Requirement Regulation*), and further decided not to apply Article 458 of said Regulation.¹

Justification for the decision

In the light of the most recent findings, the macroprudential outlook is dominated by a slight reduction in cyclical systemic risks. New incoming data indicate that the value of the trend deviation of the credit-to-GDP ratio is 1.94 percentage points. (The most recent GDP data, released by Statistics Finland on 4 June 2015, lowered the value of the indicator. Previously the indicator value was 2.2 percentage points.) The statutory reference value for the countercyclical capital buffer requirement would be 0.0%.

Nor are other key macroprudential indicators pointing to an enlargement of stability threats to lending, or to exceptionally high levels of such threats. The credit cycle remains subdued.

However, it is especially important to monitor credit developments, given, for example, that the downward trend in lending for house purchases has ended. Household indebtedness has continued to expand and some potential for a decline in housing prices may remain, especially in the context of notably weaker-than-expected real economic developments. Credit growth may be fuelled by households' more widespread use of instalment-free periods on housing loans.

The Board decision was made in line with a proposal by the Director General of FIN-FSA. The decision was based on an assessment of the need for use of macroprudential tools prepared in concert by experts from FIN-FSA, the Bank of Finland and the Ministry of Finance. Opinions of the Bank of Finland, the Ministry of Finance and the Ministry of Social Affairs

¹ Chapter 15, section 11 of the Credit Institutions Act describes the loan-to-value ratio but does not enter into force until 1 July 2016.



30 June 2015

Unrestricted

and Health corroborated the decision. The European Central Bank indicated that it has no objections to this decision.