OPINION OF THE EUROPEAN SYSTEMIC RISK BOARD

of 13 March 2017

regarding Belgian notification of a stricter national measure based on Article 458 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms

(ESRB/2017/1)

THE GENERAL BOARD OF THE EUROPEAN SYSTEMIC RISK BOARD,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board[1], and in particular Article 3(2)(j) thereof,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012[2], and in particular Article 458(4) thereof,

Having regard to Decision of the European Systemic Risk Board of 16 December 2015 on a coordination framework for the notification of national macroprudential policy measures by relevant authorities, the issuing of opinions and recommendations by the ESRB, and repealing Decision ESRB/2014/2[3],

Whereas:

(1) The Nationale Bank van België/Banque Nationale de Belgique (NBB/BNB), acting as designated authority for the purpose of Article 458 of Regulation (EU) No 575/2013, notified the European Systemic Risk Board (ESRB) on 14 February 2017 of its intention to apply a stricter national measure for credit institutions using the Internal Ratings Based Approach (IRB) for calculating regulatory capital requirements, with regard to capital requirements applicable to retail exposures secured by mortgages on residential property located in Belgium.

(2) This stricter draft national measure should enter into force following the expiration of a macroprudential measure that is currently in place, which consists in applying a 5 percentage point add-on to the risk weights relevant to retail exposures secured by mortgages on residential property located in Belgium to credit institutions using the IRB. This macroprudential measure was adopted by the NBB/BNB on 15 November 2013. The NBB/BNB decided to align it with Regulation

1 OJ L 331, 15.12.2010, p. 1.

2 OJ L 176, 27.6.2013, p. 1.

3 OJ C 97, 12.3.2016, p. 28.

(EU) No 575/2013, applicable from 1 January 2014, and sought approval under Article 458 thereof. The Commission decided on 28 May 2014 not to propose to the Council an implementing act to reject the draft Belgian measure under the procedure provided for in Article 458(4) of Regulation (EU) No 575/2013. Initially valid until 28 May 2016, the macroprudential measure was extended for one additional year, in accordance with Article 458(9) of Regulation (EU) No 575/2013.

(3) On 22 September 2016 the ESRB adopted Warning ESRB/2016/06[4], which identified medium-term vulnerabilities in the Belgian residential real estate sector as a source of systemic risk to financial stability, which could have the potential for serious negative consequences for the real economy. From a macroprudential perspective, the ESRB considered the main vulnerabilities to be the fast increase in overall household indebtedness combined with significant groups of already highly indebted households, against the background of a significant increase in residential real estate prices over the past few years.

(4) To assess the stricter draft national measure notified by the NBB/BNB, the ESRB's assessment team referred to in Decision ESRB/2015/4 issued an assessment note, which is annexed hereto,

HAS ADOPTED THIS OPINION:

1. The stricter draft national measure, notified by the NBB/BNB under Article 458 of Regulation (EU) No 575/2013, is, under the current circumstances, justified, suitable, proportionate, effective and efficient for the risks the NBB/BNB is targeting. In particular:
    (a) the changes in the intensity of macroprudential or systemic risk are of such nature as to pose risk to financial stability at national level;
    (b) Articles 124 and 164 of Regulation (EU) No 575/2013 and Articles 101, 103 to 105, 133, and 136 of Directive 2013/36/EU of the European Parliament and of the Council[5] cannot adequately address the macroprudential or systemic risk identified, taking into account the relative effectiveness of the measure;
    (c) the stricter draft national measure is more suitable to address the identified macroprudential or systemic risk than the measures set out in the legal provisions mentioned in point (b) and does not entail disproportionate adverse effects on the whole or parts of the financial system in other Member States or in the Union as a whole, thus forming or creating an obstacle to the functioning of the internal market;
    (d) the issue concerns only one Member State;
    (e) the risks have not already been addressed by other measures in Regulation (EU) No 575/2013 or in Directive 2013/36/EU.

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4 Warning ESRB/2016/06 of the European Systemic Risk Board of 22 September 2016 on medium-term vulnerabilities in the residential real estate sector of Belgium (OJ C 31, 31.1.2017, p. 45).

5 Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

2. The stricter draft national measure does not have a negative impact on the internal market that outweighs the financial stability benefits resulting in a reduction of the macroprudential or systemic risk identified.
3. The attached assessment note entitled 'Assessment of the notification by Belgium in accordance with Article 458 of Regulation (EU) No 575/2013 concerning the application of a stricter national measure for residential mortgage lending' is an integral part of this Opinion.

Done at Frankfurt am Main, 13 March 2017.

Mario Draghi

Chair of the ESRB