Subject: Notification article 458.

Dear Mr Draghi,

In 2014 the National Bank of Belgium (“the Bank”) has introduced a request to the European Commission regarding the application of article 458 of 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. In view of the existing vulnerabilities on the residential real estate market, the Bank decided to impose a flat 5 percentage point risk weight add-on to the Belgian mortgage loans exposures of banks following the IRB approach to compute regulatory capital requirements. On 28 May 2014 the European Commission officially notified the National Bank of Belgium that it would not propose to the Council an implementing act to reject the measure under article 458(4).

The introduction of the macro-prudential real estate measure has been accompanied by continuous and close monitoring by the Bank of the evolution of the residential real estate market and of the quality of banks’ mortgage loan portfolios. In addition, the adequacy and the calibration of the measure have regularly been assessed. In light of this assessment, the Bank considers that the vulnerabilities have not yet sufficiently diminished and that pockets of vulnerabilities remain.
In this context, the National Bank of Belgium is of the opinion that it is necessary to maintain the increase in capital requirements and intends to make use of the possibility to extend the period of application for one additional year as laid down in article 458(9) of Regulation (EU) No 575/2013. In line with article 5 of the SSM Regulation, the ECB has informed the Bank on 23 October 2015 that it does not object to this decision taken by the National Bank of Belgium.

Following the review conducted in consultation with the European Banking Authority and European Systemic Risk Board in recent weeks in accordance with article 458(9) of Regulation (EU) No 575/2013, the National Bank of Belgium has prepared the official request for an extension of the macro-prudential measure. The documents are attached to this letter.

We remain at your disposal for any additional information you might need on this request.

Yours sincerely,

Permanent Representative,

DIRK WOUTERS