

Template for measures to be taken under Article 458 of the Capital Requirements Regulation (CRR)

1. NOTIFYING NATIONAL AUTHORITY	
1.1 Name of the notifying authority	National Bank of Belgium
1.2 Date when the decision referred to in Article 5 of the SSMR shall be taken	The ECB has communicated on October 23 2015 that it does not object to the request to extend the macro-prudential measure.
1.3 Categorisation of measures	<p>As in 2014, the NBB intends to make use of Article 458(2)(d) point (vi):</p> <ul style="list-style-type: none"> i. risk weights for targeting asset bubbles in the residential and commercial property sector <p>The measure consists in a 5 percentage point add-on to the IRB-banks' internal risk weights for Belgian mortgage loans. Nine institutions fall into this category (about 90% of the Belgian residential real estate market). This measure applied to the financial position of the Belgian credit institutions as of the end of 2013 under the Belgian regulation. With the entry into force of the CRDIV/CRR on January 1st 2014, the NBB introduced a request to the European authorities.</p>
1.4 Request to extend the period of application of existing measures for one additional year (Article 458(9) of the CRR)	<p>In view of the remaining vulnerabilities, the NBB requests the extension of the measure taken according to Art 458(2)(d) point (vi) of the CRR for one additional year starting from May 28 2016 in line with Art 458(9) of the CRR.</p> <p>The first application of the measure – under the CRR – was approved by the European Commission on May 28th 2014.</p>
1.5 Notification of measures to which Article 458(10) of the CRR applies ('notification only procedure')	<p>The intended measure is not subject to the notification procedure as specified in Article 458(10) of the CRR.</p> <p>As mentioned above, the intended measure consists in a 5 percentage point add-on to the IRB-banks' internal risk weights for Belgian mortgage loans. This implies an increase of more than 25% of the risk weights for most IRB banks concerned by the measure.</p>
1.6 Legal basis for the implementation of the measure	<ul style="list-style-type: none"> • Articles 458(2)(d) point (vi) and 458(9) of the CRR are the legal basis for the measure. • The measure amends the risk weight for calculating the risk weighted exposure amount for retail exposures secured by immovable property in Article 154(3) of the CRR.

2. REASON FOR THE ACTIVATION OF THE STRICTER NATIONAL MEASURE

2.1 Description of the macro-prudential or systemic risk in the financial system (Article 458(2)(a) of the CRR)

The initial implementation of the measure aimed primarily at enhancing the resilience of the Belgian banks against potential credit losses in the event of a downturn of the residential real estate market. Such a downturn was considered as a potential risk, given the protracted period of house price increases, rising household indebtedness and vulnerable segments (high LTV/DSTI) in banks' mortgage portfolios. The calibration of the measure aimed to steer towards a "soft landing" and, so, to avoid any brutal correction in the housing market, which could have had major implications on the Belgian financial system and on the real economy, while at the same time providing an incentive to the banks to maintain sufficiently conservative lending standards.

During these last two years, the NBB has continued to closely monitor the evolution of the situation on the residential real estate market and risk profile of banks' mortgage portfolio and especially, the impact of the macro-prudential measure.

While the real estate market has somewhat stabilized ('soft landing') and some tightening of credit standards has been observed, different elements still highlight risks related to the housing market in Belgium, justifying the extension of the existing measure. In particular, given uncertainties on house price overvaluation and expectations on house price fundamentals, a decline in real estate prices is still considered as a risk. Furthermore, the overall risk profile and quality of the residential mortgage portfolios of the main credit institutions remain globally unchanged, and household indebtedness has continued to rise. In addition, the very low level of interest rates stemming from very accommodative monetary policy interacts with the current measure by further supporting mortgage loans.

More specifically, nominal property prices have more than doubled in Belgium since the beginning of the century, without experiencing sharp corrections. In fact, compared to other euro area countries, Belgian nominal property prices suffered smaller and less persistent correction in the aftermath of the financial crisis. Nevertheless, the growth rate of nominal real estate prices has declined markedly since 2011, reaching 0.6% in 2014. However, preliminary figures for 2015 point to a pick-up, with an average price increase that is likely to exceed 3% in 2015. It should be stressed that figures for 2015 need to be interpreted with caution in view of data quality issues. As far as the valuation of the Belgian residential property market is concerned, on the basis of commonly used indicators such as price-to-rent and price-to-income ratios, Belgium is usually flagged as a country characterized by an overvalued residential property market. However, the NBB does not consider these as adequate overvaluation metrics, since they embed important assumptions concerning the notion of "equilibrium price" (long-run averages are used to derive "equilibrium prices") and, almost importantly, they disregard changes in key determinants of house prices such as interest rates, the characteristics of the mortgage loans, the fiscal regime applied to residential property, the demographic developments, etc. For these reasons, these indicators cannot be considered as the most reliable metrics of real estate market over/under-valuation.

To explain house price evolution, the NBB relies on a more accurate indicator – the residuals of an econometric regression which explicitly accounts for economic fundamentals. Specifically, real house prices are regressed on real disposable income, real mortgage interest rates, the number of households and a dummy for the period starting in 2005 to account for significant changes in tax regime of mortgage debt. This kind of measures are increasingly used in national and international organizations, in particular the ECB, leading to similar results. In recent period, the indicator tends to fluctuate between -5% and +10%.

Estimates based on the preliminary 2015 data – which need to be interpreted with cautious - suggest that overvaluation has significantly increased to about 8%: the aforementioned significant reduction in the mortgage tax abatement in the Flemish Region is in principle consistent with a strong drop in the (equilibrium) price, but, as indicated, price growth has actually picked up markedly. This implies that the lower mortgage tax abatement (about 23,000 EUR for an average house in the Flemish Region) has not been capitalized (yet?) in prices and, hence, shows up as higher overvaluation.

We believe that this is primarily due to the monetary policy and generally low-yield environment, which is fostering real estate purchases. However, the NBB is fully aware that there is a large degree of uncertainty around the signals given by different overvaluation metrics, and therefore cannot rule out that a significant house price correction takes place in the short to medium run. Furthermore, sudden changes in the economic fundamentals of house prices (interest rates, tax regime, supply,..) may also result in a decline in house prices.

This could lead to important credit losses on banks' mortgage portfolios, given the following vulnerabilities:

First, while a certain stabilization of the housing market has been accompanied by a slowdown in credit growth, recent developments indicate a renewed acceleration at the end of 2014 and in the first months of 2015 in view of the very low level of interest rates. Although some acceleration was expected at the end of 2014 in view of the anticipation of changes in the tax regime, the continuation of this acceleration in 2015 was not expected.

Second, these developments have led to a gradual increase in mortgage debt to 59% (% of GDP) in the third quarter of 2015 from 39.2% in 2000 (54.2% in 2012), raising some concerns in terms of debt sustainability, especially for some segments of the population (young, low income).

Third, the overall risk profile and quality of the residential mortgage portfolios of the main credit institutions remain globally unchanged. Some strengthening has been observed on some credit standards, such as a shortening of loan maturities and somewhat lower LTVs/DSTIs, but recent evolutions of those figures are slightly affected by the impact of the massive mortgage loan refinancing in view of the low interest rates. Globally, the new production still includes an important share of loans with high LTVs and significant DSTIs (44,3% with LTVs > 80% and 42,3% DSTIs > 40%), albeit somewhat lower than before the entry into force of the macro-prudential measure.

	<p>Therefore, sub-segments in the outstanding portfolios of mortgage loans that combine high levels of risk parameters, such as loan-to-value ratios or debt service charges for the borrowers, remain relatively important. Yet, the relative shares of these sub-segments, while significant for all Belgian IRB banks, vary from one bank to the other, reflecting fundamental differences in banks' credit standards at origination. These riskier loans could be the source of credit losses for banks if conditions in the Belgian housing market were to become less buoyant than they have been over the past 15 years.</p> <p>In this connection, it should also be noted that without the add on of 5% the risk weights for Belgian mortgage loans, risk weights are generally relatively low, and, on average, lower than in other countries. As internal risk models are calibrated on historical credit loss data, these low risk weights can to a large extent be explained by the absence of a major crisis on the Belgian housing market in the past. Nevertheless, the relative magnitudes of the risk weight produced by internal models of the banks are consistent with their respective portfolios' (relative) risk profiles. However, in absence of the current add on, the current risk weights may thus be too low for losses that may emerge in less favourable market circumstances and from the materialisation of risks embedded in certain sub-segments of banks' Belgian mortgage loan portfolios.</p> <p>In this context, the NBB wants to extend the measure and will continue to closely monitor the remaining vulnerabilities.</p>
<p>2.2 Analysis of the serious negative consequences or threat to financial stability (Article 458(2)(b) of the CRR)</p>	<p>The analysis of the implication for financial stability has remained globally unchanged. Given the importance of residential mortgage loan portfolios in the balance sheet of the Belgian credit institutions (around 15% of total assets on average), a downturn on the Belgian residential real estate market may have a substantial impact on the solvency position of Belgian credit institutions, which may in turn have unfavorable consequences for the Belgian real economy. As experienced in other countries, it could also rapidly spread out to the commercial real estate market.</p> <p>Furthermore, as highlighted by recent experience in other countries, even in the absence of a significant increase in defaults in the mortgage portfolio following a market correction, the real economy could be particularly affected by a decline in consumer confidence.</p> <p>Finally, in view of the importance of cross border banking groups in Belgium, safeguarding financial stability in Belgium will also have positive effects on financial stability in Europe.</p>
<p>2.3 Indicators prompting use of the measure</p>	<p>The main indicators are :</p> <ul style="list-style-type: none"> - house prices, including indicators for price valuation - credit standards (LTVs, DTIs, mortgage loans' maturity, banks' interest rate margin,..) - household debt ratio - credit growth - risk weights for real estate exposures

	(see documents in annex)
<p>2.4 Justification why the stricter national measure is necessary (Article 458(2)(c) of the CRR)</p>	<p>The main objective of the measure is to increase resilience and to signal to the banks the importance of sound lending standards at origination. The NBB considers that the measure is effective and is still needed in view of the remaining vulnerabilities (see also 2.1).</p> <p>As mentioned above, the analyses performed by the NBB continue to reveal the existence of important sub-segments in the outstanding portfolios of mortgage loans that combine high levels of risk parameters — such as loan-to-value ratios or debt service charges for the borrowers. Yet, the relative shares of these sub-segments vary from one bank to the other, reflecting fundamental differences in banks' credit standards at origination and has somewhat been reduced in recent years. These riskier loans could be the source of credit losses for banks if conditions in the Belgian housing market were to become less buoyant than they have been over the past 15 years, in particular in the context of low risk weights.</p> <p>These macro-prudential concerns can be eased if the capital requirements on residential mortgage loans are sufficiently high to absorb a potential increase in credit losses on Belgian mortgage loan exposures. However, for credit institutions using IRB models (that represent more than 90 % of the market), the average IRB-risk weight is lower than 10 % in absence of the capital add on and is one of the lower averages in Europe.</p> <p>In this context, the NBB considered that prudential measures were and still are warranted in order to enhance the capacity of the Belgian credit institutions to absorb a potential increase in credit losses and to mitigate the concentration risk associated with the high weight of Belgian mortgage loans in banks' total assets.</p> <p><i>Why other measures or legal basis are still not adequate?</i></p> <p><u>Article 124 of the CRR</u></p> <p>Article 124 enables the competent authority to increase the risk weight of mortgage loans in the standardized approach, while banks using internal models for the risk weigh calibration of residential real estate exposure represent about 90% of the market shares. For the institutions using a standardized approach (less than 10% of market shares), the current risk weight applicable in Belgium (35 %) is considered to be sufficient. The measure is only applicable to IRB-banks because the risk weight from the internal models is relatively low as they are calibrated on past data reflecting limited historical losses on the Belgian banks' domestic residential real estate credit portfolio,</p> <p><u>Article 164 of the CRR</u></p> <p>Article 164 enables the competent authority to increase the LGD floor of mortgage loans. As mentioned above, the relative magnitudes of the risk weight produced by internal models of the banks is consistent with their respective portfolios' (relative) risk profiles. Increasing the floor will have no impact for banks that use the least conservative credit standards, as opposed</p>

to those that use the stricter conservative standards (and have also the lowest risk weight). In other words, increasing the floor does not give an adequate incentive to banks to be stricter with regard to their credit standards at origination, which is one objective of the proposed measure. Consequently, the NBB considers that it is more adequate to require each bank to increase its risk weights than to raise the LGD floor.

Articles 102, 103 and 104 of directive 2013/36/EU

There are different reasons why these articles are not considered as appropriate.

First of all, the proposed measure is not based on the risk assessment made pursuant to Article 97 on an individual basis but on macroeconomic concerns relating to the potential evolution of the residential real estate market in Belgium and the size of the mortgage loan portfolio within the banking sector as a whole. The measure is designed to apply to all the banks using an internal model even if the risk profile of these banks, and their residential mortgage loan portfolio, are different.

Second, under the Regulation N° 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, the NBB is not the competent authority anymore for the Belgian banks using an internal model. The competent authority, which may use the Articles 103 and 104, is the ECB since the entry into force of the SSM. Measures taken under Articles 103 and 104 are designed to be used as micro-prudential measures even if the methodology used for the risk assessment under article 97 may be identical for credit institutions with a similar risk profile. The Governing Council has confirmed that SREP decisions are made at the level of individual institutions on a case-by-case basis. They are grounded on micro-prudential considerations linked to the risk profile of each institution and have no intention to influence the macro economy.

Third, the ECB has confirmed on January 11th 2016 that the current SREP decision for next year – which has been approved by the Supervisory Board (November 5-6 2015) and the Governing Council (4 and 20 December 2015) - does not include any capital surcharge for residential real estate risks and that in general SREP assessments with regard to bank's internal models (validation to what extent the particular risks of the bank are sufficiently captured etc.) are not performed to counter (in terms of manage) macro-prudential or systemic risk in the financial system and the real economy. Moreover, as the measure has already been in place as a Pillar 1 measure since December 2013, using Pillar 2 approach could be confusing for banks, also in terms of communication.

Fourth, using the Articles 103 and 104 is also less transparent than using the Article 458, as Pillar 2 measures are currently not publicly disclosed. Indeed, the ECB officially recommends to the institutions to not publish their Pillar 2 requirements. In the same vein, the ECB does not intend to communicate to the credit institutions a detail quantification of the pillar 2 requirements for each type of risks. However, the NBB strongly underline the importance of the signaling function of the macro-prudential measures to the banks and the

general public.

Moreover, increasing risk weights under Pillar 1 lead to a lower banks' reported capital adequacy ratio and thus better highlight their lower capacity to absorb unexpected losses. Shifting measure in Pillar 2 requirements would artificially improve their solvency ratio and would probably be difficult to explain to the public and markets. This may furthermore reduce the incentive effect of the measure.

Fourth, whereas the risk weight add-on applies to both the outstanding stock of mortgages and the flow of new loans, a Pillar 2 capital add-on would only apply to the outstanding stock. This may again reduce the incentive effect of the measure.

Fifth, implementing the measure under Pillar 2 would also reduce the impact of any other (macro-prudential) capital buffer, as the latter has to be applied on the Pillar 1 RWAs. When implemented under Pillar 1, the increase in risk weight related to the residential real estate is taken into account in the calculation of the RWA to which the other capital buffers apply, thereby further strengthening its impact.

Sixth, we should take into account that the common practice of the supervisory authority (NBB and ECB) is to take a SREP (pillar 2) decision once a year and in form of a CET1 ratio. In theory, this is possible to increase the required pillar 2 CET1 ratio by x % to reflect the amount of capital needed to cover a 5 % RW on mortgage loans at the date of the SREP decision. Nevertheless, if we do so, during the year, the mortgage loan add-on included in the required pillar 2 CET1 ratio will also affect the capital requirements related to other credits than mortgage loans. This is not in line with the aim of the measure which is to target only mortgage loans.

Seventh, all banks have confirmed their agreement with the proposed measures.

Finally, Articles 101 and 102 are not applicable as the banks using IRB models comply with all the requirements of the Regulation N° 575/2013 and there is no evidence of a breach of this Regulation. The transversal review conducted by the NBB did not raise any general concerns on the adequacy of the internal models. The low risk weights reflect the absence of major crisis in Belgium in recent decades. However, where individual and specific weaknesses were observed, the concerned bank was asked to review its internal models. This review (targeted towards PDs) is currently on-going. A further in-depth horizontal review of banks' internal models by the ECB (TRIM) will only take place in 2017/2018.

It should be noted in this context that, while having the lowest average LGD in the sample covered by the EBA's Third interim report on the consistency of risk-weighted assets, Belgian banks' are not an outlier in this respect. The report shows that in fact 25% of the 112 reported banks have an LGD equal to or only slightly above the 10% floor. Furthermore, 10 out of 17 countries (representing more than 65% of the banks in the sample) report an average LGD (well) below 15%.

More importantly, the risk weight add-on was implemented in the first place to

	<p>mitigate a macroprudential risk stemming from (expected) developments in the real estate market and borrowers' vulnerabilities, not to correct a microprudential issue of potential mis-calibration of internal models. While risk weights should correctly reflect (microprudential) risks, the recalibration of models is not a sufficient response to identified macroprudential risks. In the specific case of the Belgian real estate market, the risk weight add-on provides, in addition to raising banks' resilience, an important signaling effects to banks that the NBB is ready to activate measures in case of increasing vulnerabilities.</p> <p><u>Article 133 and 136 of Directive 2013/36/EU</u></p> <p>First, pursuant to Article 133 and recital (85) the systemic risk buffer should be used to prevent and mitigate long term non-cyclical or macro-prudential risk. The increase of the risk weight for residential mortgage loans is proposed to limit the risk of a potential cyclical downturn in the residential real estate market.</p> <p>Second, the systemic risk buffer should apply to all exposures with potentially a distinction between all exposures located in the Member State, exposures located in another Member State and exposures locates in third countries, but is not designed to apply to specific exposures, like residential mortgages credit exposures, within a Member state. For this purpose, only Articles 124, 164 and 458 of the CRR are available. If the systemic buffer were used and applied to all exposures in Belgium, this would equally penalize credit and other exposures to SME's and corporates in Belgium, which is not the desired outcome.</p> <p>With regard to Article 136, the buffer rate for the countercyclical buffer similarly applies to all exposures located in the related Member State. Applying a buffer rate to all credit exposures in Belgium will equally penalize credit and other exposures to SMEs and corporates in Belgium, which is not the purpose of the measure. Moreover, there is currently no sign of excessive credit growth to the non-financial corporate sector.</p>
3. DESCRIPTION OF THE INSTRUMENT (MEASURE BEING NOTIFIED)	
<p>3.1 Draft national measures (Article 458(2)(d) of the CRR)</p>	<p>The risk weight applicable to retail residential mortgage loans continue to be increased by 5 percentage points meaning, for example, that the risk weight will be 14 % for a credit institution for which the initial risk weight is 9 %.</p> <p>The measure has been introduced in the CRR though an amendment to the article 154.3 of the CRR :</p> <p>In application of art 458 of the CRR (European regulation (UE) n° 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, the following paragraph is applicable to credit institutions using internal models for the calibration of their risk weight wrt to residential real estate.</p> <p><i>For retail exposures secured by residential immovable property collateral located in Belgium, the risk weighting - calculated in line with art 154§3 – is</i></p>

	<i>augmented by 0.05'</i>
3.2 Scope of the measure (Article 458(2)(d) of the CRR)	<p>The measure is applied:</p> <ul style="list-style-type: none"> • only to residential mortgage loans for which the collateral is situated in Belgium because the risk is linked to the potential correction of the residential real estate market in Belgium ; • only to credit institutions using an internal model for these exposures because the risk weight of these models are relatively low, compared to the standardized approach which applied a risk weight of 35%. • only to the Belgian retail residential mortgage credit portfolio, and not commercial real estate or loans covered by mortgages in other Member State.
3.3 Calibration of the measure	<p>The measure primarily aims at enhancing the resilience of the Belgian banks against potential credit losses in the event of a downturn of the residential real estate market. The calibration of the measure is therefore based on an assessment of potential credit losses under the envisaged scenario. Notwithstanding the recent signs of a moderation in the growth of house prices and mortgage lending and the recent selective tightening of credit standards at origination by banks, the NBB considers that the overall risk assessment has remained broadly unchanged compared to 2014, and that the calibration of the measure should be kept, maintaining the size of the additional capital buffer at its present level.</p> <p>By maintaining this macro-prudential measure, the average risk weight for domestic mortgage loans for Belgian IRB-banks would remain around 15%, which is close to the average risk weight observed in other core European countries (France, Germany, Luxembourg,...). The measure leads to an additional capital buffer of 617 million or 1.2% of current Tier one capital outstanding of the banks concerned.</p> <p>In assessing the calibration, the NBB has analysed the current margin banks have, taking into account the total buffers for expected and unexpected losses of the banks augmented by the capital add on. This total amounts to 2.8 billion, while the current annual losses on banks' mortgage portfolio oscillate around 170 million. Banks have therefore some room to absorb additional losses which might come from a downturn in the residential real estate market.</p> <p>In addition, while not covering all institutions subject to the NBB measure (e.g. foreign subsidiaries, as the stress test was conducted at the consolidated level) the results of the recent EBA stress tests – which simulated a decline in house price of more than 25% over a 3-years horizon combined with a sharp increase in the probability of default – can also provide some additional insight on the potential losses and the adequacy of the required additional capital buffer. Results indicate that the capital buffer required by the NBB by the application of the macro-prudential measure would cover about 60% of the (expected and unexpected) losses banks would incur in a severe downturn of the residential real estate market.</p>

	<p>However, as mentioned above, the calibration of the measure also aimed to avoid any brutal correction in the housing market and rather steer towards a “soft landing”, while at the same time providing an incentive to the banks to maintain sufficiently conservative lending standards. Furthermore, the decision to impose O-SII buffers to Belgian D-SIBs further increases the resilience of the Belgian banking market, also against a potential downturn in the residential real estate. The NBB is therefore of the view that the current level of the measure can be maintained.</p>
<p>3.4 Suitability, effectiveness and proportionality of the measure (Article 458(2)(e) of the CRR)</p>	<p>The NBB considers that the measure remains suitable, effective and proportionate.</p> <p>While the measure is effective in increasing banks’ resilience, its impact on other relevant aspects of the risk assessment, such as house prices and lending standards, is difficult to assess. Since the introduction of the various prudential measures and recommendations made by the Bank, Belgian banks have somewhat tightened their lending criteria for mortgage loans. This led to enhance the overall quality of the Belgian mortgage loan portfolios, although a reduction of the share of loans in riskier buckets is not yet clearly noticeable. The most important strengthening regards the general tendency towards shorter loan maturities and the higher margins on mortgage loans. Somewhat lower LTVs and DSTIs are also observed in 2013 and 2014; while some mixed signals emerged from more recent data, which requires close monitoring. It should be noted that recent statistics on the matter can be blurred by important mortgage refinancing. Finally, the residential real estate market has slowed down in recent quarters. It is important to highlight that the potential impact of the measure on these aspects may have been mitigated by external factors, such as the low interest rate environment and the changes in the tax regime.</p> <p>Regarding the proportionality, the NBB still considers the measure as adequate as there is no evidence that a decrease of real estate prices will have a fundamentally different impact between credit institutions. In this context, the increase of the risk weight should be identical for all the credit institutions. This 5 percentage point increase in the risk weight will provide an incentive to credit institutions to be more prudent in their credit standards at origination, and to create a capital cushion.</p> <p>A 5 percentage point increase in the risk weight, compared to the increase of the LGD floor for real estate exposures, has also the advantage to not penalise credit institutions that seem to adopt the more conservative credit policy when originating Belgian mortgage loans. We did not apply the add-on for banks using standardized approach as we consider that given the relatively conservative credit standards of Belgian banks, a risk weight of 35% might be considered as sufficient to absorb a potential downturn in the real estate market.</p> <p>The NBB considers that not extending the measures would have the following detrimental impact :</p> <ul style="list-style-type: none"> • It would reduce the capital buffer of the banking system • Most importantly, it would give a wrong signal to the banks (which expects the measure to be maintained in view of the recent

	developments) and could lead to a relaxation of credit standards at origination
3.5 Assessment of the likely impact on the internal market (Article 458(2)(f) of the CRR)	<p>The measure intends to reinforce the solvency position of Belgian credit institutions active in the residential real estate market and as a result, the overall resilience of the financial system. In addition, it provides an important signalling effect to banks that the NBB is ready to activate measures in case of increasing vulnerabilities.</p> <p>As the measure applies only to the Belgian residential market and Belgian banks, there is no indication that the measure has any impact on individuals or companies outside Belgium. Only Belgian credit institutions will be subject to the increase of RWA.</p> <p>So far, no impact has been observed on other parts of the financial system (insurance, other financial intermediaries), thereby reducing the risks of leakages.</p> <p>As a result, the NBB still considers – in line with the EC decision of 28 May 2014 – that the (extension of the) proposed measure does not have a negative impact on the internal market that would outweigh the financial stability benefits resulting in a reduction of the macro-prudential or systemic risk identified. In view of the persistent vulnerabilities and in view of the cross border dimension of the Belgian financial sector, not extending the macroprudential measure in 2016-2017 might on the contrary affect negatively the single market given the potential effect on financial stability in Belgium (reduction of the capital buffer and potential negative impact on credit standards at origination).</p>
3.6 Assessment of leakages	<p>Based on mortgage loans developments across sectors, there is no evidence that the measures led to leakages to other part of the financial sector (financial intermediaries, insurance sector). In addition, the market share of foreign branches has remained broadly below 1% (€1.4 billion at the end of October 2015). There has not been any significant new entrance in recent years.</p>
3.7 Timing of the measure (Article 458(4) of the CRR)	<p>In view of the remaining vulnerabilities, the objective of this request is to extend the current measure by one additional year in line with the art 458(9) from May 28 2016.</p>
3.8 Term of the measure (Article 458(4) of the CRR)	<p>The objective of this request is to extend the current measure by one additional year in line with the art 458(9).</p> <p>The NBB closely monitors the evolution of the residential real estate market and banks' mortgage portfolios and provides to the NBB Board (as macro-prudential body) a detailed update every 3 to 6 month.</p>

3.9 Review (Article 458(9) of the CRR)	<p>The situation has been reviewed in consultation with the ESRB and the EBA during the last quarter 2015.</p>
3.10 Recognition by other Member States (Article 458(8) of the CRR)	<p>Yes, we ask the ESRB to recommend to other Member States to recognize the measure as their banking sector may be exposed directly or through their branches to the risk of residential real estate market in Belgium.</p> <p>It is important to acknowledge that the DNB has officially notified on December 23 2014 to the NBB and the relevant European Authorities its decision to recognize the Belgian measure and to apply the add-on to Belgian residential real estate exposures of Dutch banks' branches.</p>
3.11 Other relevant information	<p>The current measure interacted with other policies, which might have reduced somewhat the effectiveness of the macro-prudential measures but also have complicated its assessment.</p> <p>First, low interest rates contribute to support mortgage growth and house prices since 2014. Second, changes (or anticipation of changes) in tax regime supported as well mortgage growth in 2014.</p>
4. MISCELLANEOUS	
4.1 Disclosure	
4.2 Contact person(s) at notifying authority	<p>marianne.collin@nbb.be thomas.schepens@nbb.be</p>
4.3 Any other relevant information	