Subject: Magyar Nemzeti Bank – Notification on the activation of the Systemic Risk Buffer for the mitigation of systemic risks stemming from problem project exposures

Dear Colleagues,

The Magyar Nemzeti Bank (MNB) notifies you on the activation of the Systemic Risk Buffer (SRB) in accordance with Article 133 of Directive 2013/36/EU. The MNB notified the relevant authorities, the European Commission, the European Banking Authority and the European Systemic Risk Board first on 12 October 2015 on the introduction of the measure with an extended phase-in period and its details, and afterwards on 27 September 2016 on the amendment of the timing of the implementation of the systemic risk buffer requirement.

The MNB initiated negotiations with the banks in relation to the intended use of the SRB in the autumn of 2014. Based on these discussions, following the identification of the problem portfolio jointly with the sector the MNB issued its General Decision in 2015. After further discussions with the banks on the current status of problem portfolio cleaning in September 2016 the MNB extended the period available for banks for further asset sales by 6 months. With the two and a half years phase-in period coming to its end the actual capital requirement in the form of SRB will become effective from 1 July 2017. The size of the institution-specific buffers is determined based on data related to problem exposures on 31 March 2017.

Based on the reference data on 31 March 2017, the MNB found that the targeted structural systemic risk has decreased significantly as the sectoral amount of problem exposures in question has decreased by 71 per cent to HUF 241 billion due to the special framework of the systemic risk buffer measure with a long phase-in period. However, the outstanding amount of problem exposures of two institutions – CIB Bank Zrt. and Raiffeisen Bank Zrt. – still justifies the activation of the systemic risk buffer requirement. Thus, the MNB Financial Stability Board (FSB) decided to oblige these two institutions to maintain systemic risk buffers from 1 July 2017.

The required levels of the systemic risk buffers in case of these two institutions are: 2 per cent applied to the domestic RWA for the CIB Bank Zrt. and 1.5 per cent applied to the domestic RWA for the Raiffeisen Bank Zrt. The buffer requirements determined will be reviewed annually, thus no later than 1 July 2018.

Yours Sincerely:

MAGYAR NEMZETI BANK

Anikó Szombati
Executive Director
Executive Directorate for Macroprudential policy

Enclosure: Template for notifying the intended use of a systemic risk buffer (SRB)