

## Template for notifying national macroprudential measures not covered by CRR/CRD

Please send this template to

- [notifications@esrb.europa.eu](mailto:notifications@esrb.europa.eu) when notifying the ESRB;
- [macropru.notifications@ecb.europa.eu](mailto:macropru.notifications@ecb.europa.eu) when notifying the ECB.

Emailing this template to the above-mentioned addresses constitutes an official notification, no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows electronically copying the information.

1. Notifying national authority and scope of the notification		
1.1	Name of the notifying authority.	Finnish Financial Supervisory Authority, FIN-FSA
1.2	Name of the macroprudential measure that is notified.	Loan-to-collateral (LTC).
2. Description of the measure		
2.1	Description of the measure.	At its meeting on 19 March 2018, the Board of the Financial Supervisory Authority (FIN-FSA) has decided to lower the binding maximum loan-to-collateral (LTC) ratio, as referred to in chapter 15, section 11 of the Credit Institutions Act, by 5 percentage points to 85% for residential mortgage loans other than those taken for first home purchases..
2.2	Legal basis and process of implementation of the measure.	The decision will enter into force on 1 July 2018.
2.3	Coverage	The decision applies to all domestic and foreign credit institutions

2.4	Any other relevant information.	Any other relevant information (e.g. interaction with other measures addressing the same risk).
<b>3. Timing</b>		
3.1	Timing of the decision	19 March 2018
3.2	Timing of the publication	19 March 2018
3.3	Disclosure	Published on internet, additional press conference
3.4	Timing of the application	1 July 2018
3.5	End date (if applicable)	Until further notice
<b>4. Reason for the activation of the measure</b>		
4.1	Description of the macroprudential risk to be addressed.	In the third quarter of 2017, household indebtedness increased in Finland to a new record, to 128% of household annual disposable income. Indebtedness has more than doubled over the last twenty years, and is currently around 40 percentage points above the highest level seen before the banking crisis in Finland in the early 1990s. Compared with the rest of Europe, Finland has a particularly high proportion of variable interest rate residential mortgage loans. In December 2017, Euribor-linked loans accounted for 92% of the stock of residential mortgage loans. In addition, the average maturity of new residential mortgage loans has grown in the period 2014–2017 from around 18 years to around 19.5 years. Indebtedness is expected to increase further in the next few years, driven by, among other things, positive economic and employment prospects, strong consumer confidence, the low interest rate environment, easing of the terms of new residential mortgage loans, a buoyant housing market in growth centres, and increased demand for loans to housing corporations and

		consumer credit. The magnitude and growth of household indebtedness are significant risks to the stability of Finland's financial system and the economy as a whole. Growing indebtedness weakens the ability of households and the entire financial system to react to shocks to the financial system and the economy. High indebtedness amplifies shocks to the economy, because indebted economic entities typically reduce their consumption and investments in adverse economic conditions.
4.2	Description of the indicators on the basis of which the measure is activated.	See above
4.3	Effects of the measure.	The effects of the measure are assessed to be limited to mortgages and housing markets in general. The objective is to curb debt accumulation.
<b>5. Cross-border and cross-sector impact of the measure</b>		
5.1	Assessment of cross-border effects and the likely impact on the internal market  (Article 133(11)(d) of the CRD IV and Recommendation ESRB/2015/2)	Not material

5.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	Not material
5.3	Request for reciprocation	N.a.
<b>6. Miscellaneous</b>		
6.1	Contact person(s) at notifying authority.	Peik Granlund, <a href="mailto:peik.granlund@fiva.fi">peik.granlund@fiva.fi</a> , +358 9 183 5236
6.2	Any other relevant information.	<a href="http://www.finanssivalvonta.fi/en/Publications/Press_releases/Pages/08_2018.aspx">http://www.finanssivalvonta.fi/en/Publications/Press_releases/Pages/08_2018.aspx</a>