

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

Please send this template to

- notifications@esrb.europa.eu when notifying the ESRB;
- 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.	Finansinspektionen
1.2	Name of the macroprudential measure that is notified.	Amortisation requirements for new mortgagors with high loan-to-income ratio (LTI)
2. Description of the measure		
2.1	Description of the measure.	New mortgagors with mortgages in excess of 4.5 times their gross income must amortise at least 1 per cent of the debt in addition to the existing amortisation requirement. See section 2.4 for more information on the existing amortisation requirement.
2.2	Legal basis and process of implementation of the measure.	Amendment of Finansinspektionen's regulations FFFS 2016:16
2.3	Coverage	Financial firms that issue mortgages in Sweden, including Swedish branches of foreign banks.

2.4	Any other relevant information.	<p>The existing amortization requirements imply that mortgagors with</p> <ul style="list-style-type: none"> • LTV between 50 and 70 percent must amortise at least 1 percent of the mortgage per year and • LTV above 70 percent must amortise at least 2 percent per year <p>The amendment implies that new mortgagors with an LTI above 4.5 must amortise an additional 1 percent per year</p>
3. Timing		
3.1	Timing of the decision	11 December 2017
3.2	Timing of the publication	11 December 2017
3.3	Disclosure	<p>Published by Finansinspektionen</p> <p>https://www.fi.se/sv/vara-register/sok-fffs/2016/201616/201616/</p>
3.4	Timing of the application	1 March 2018
3.5	End date (if applicable)	
4. Reason for the activation of the measure		
4.1	Description of the macroprudential risk to be addressed.	<p>The risks associated with household debt are primarily related to the possibility that highly indebted households may sharply reduce their consumption in the event of a macroeconomic shock. Because LTI ratios are high and rising among many borrowers, they represent an elevated macroeconomic risk.</p>

4.2	Description of the indicators on the basis of which the measure is activated.	Credit growth and LTI ratios among mortgagors (flow and stock)
4.3	Effects of the measure.	The regulations will gradually encompass more new mortgagors, reduce their debt and in the long run make households less vulnerable to shocks. The effects on house prices and the real economy are estimated to be small. More households will be affected if house prices continue to rise faster than income. If the price increase levels off, fewer households will be affected by the requirement. The requirement thus works as a stabilising mechanism.
5. Cross-border and cross-sector impact of the measure		
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)	The regulation applies for new mortgages given by both Swedish banks and Swedish branches of foreign banks. The overall effects on banks' portfolio composition are expected to be small. There is a small risk for regulatory arbitrage since certain creditors that provide mortgages under national law SFS 2016:1024 (Lag om verksamhet med bostadskrediter) are not required to follow the amortisation requirements. These creditors stand for a small share of the total mortgage market in Sweden. Finansinspektionen is currently working on a project that aims to extend the amortisation requirements to those creditors.
5.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	See 5.1

5.3	Request for reciprocation	The regulation applies for new mortgages given by both Swedish banks and Swedish branches of foreign banks. Thus, no need for a reciprocation request.
6. Miscellaneous		
6.1	Contact person(s) at notifying authority.	Thomas Eisensee +46 8 408 98 273 Thomas.eisensee@fi.se
6.2	Any other relevant information.	