Notification template for Articles 133 and 134(5) of the Capital Requirements Directives (CRD) – Systemic risk buffer (SyRB)

Template for notifying the European Central Bank (ECB)and European Systemic Risk Board (ESRB) of the setting or resetting of one or more systemic risk buffer rates pursuant to Article 133(9) CRD and to request that the ESRB issue a recommendation to other Member States to reciprocate the measure under Article 134(5) CRD

Please send/upload this template to

- macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation[1]);
- notifications@esrb.europa.eu when notifying the ESRB.

The ESRB will forward the notification to the European Commission, the European Banking Authority (EBA) and the competent and designated authorities of the Member States concerned without delay. This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure[2].

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. To facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority and scope of the notification	
1.1 Name of the notifying authority	National Bank of Belgium
1.2 Country of the notifying authority	Belgium
1.3 Type of measure (also for reviews of existing measures)	Which SyRB measure do you intend to implement? ☒ Activate a new SyRB ☐ Change the level of an existing SyRB ☐ Change the scope of an existing SyRB (incl. changes to a subset of institutions or exposures) ☐ De-activate an existing SyRB ☐ Reset an existing SyRB (review)

[1] Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).
[2] On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

Date of template version: 06-08-2021

2. Description of the measure	
2.1 Institutions covered by the intended SyRB	Please indicate whether the SyRB applies to: ☐ All institutions authorised in the Member State ☒ One or more subsets of credit institutions in the sector (please provide the names and identifiers (Legal Entity Identifier (LEI) code) of institutions covered) [Table 1 below] ☒ A subsidiary whose parent is established in another Member State. (Please provide the names and identifiers (LEI code) of subsidiaries) [Table 2 below] If the SyRB applies to a subset of institutions, please describe the criteria for selection of the relevant institutions: The measure applies to IRB banks (as risk weights applied by SA banks are deemed sufficient).

Name of institution	LEI code	Consolidation level
BNP Paribas Fortis SA/NV	KGCEPHLVVKVRZYO1T647	Sub-consolidated
KBC Bank NV	6B2PBRV1FCJDMR45RZ53	Consolidated
Belfius Bank SA/NV	A5GWLFH3KM7YV2SFQL8	Consolidated
ING Belgium NV	JLS56RAMYQZECFUF2G44	Sub-consolidated
Argenta Spaarbank SA/NV	A6NZLYKYN1UV7VVGFX65	Consolidated
AXA Bank Belgium	LSGM84136ACA92XCN876	Consolidated
Crelan	549300DYPOFMXOR7XM56	Consolidated
CBC Banque	DVCTKZJG5QM5XGM4TR05	Company basis
Vdk bank	54930060Q00W1SRIUI57	Company basis

Name of subsidiary	Name of the parent	LEI code of the subsidiary
BNP Paribas Fortis SA/NV	BNP Paribas SA	KGCEPHLVVKVRZYO1T647
ING Belgium NV	ING Groep N.V.	JLS56RAMYQZECFUF2G44

2.2 Exposures covered by the SyRB **(Article 133(5) CRD)**	Please indicate the exposures to which the SyRB applies: ☐ (a) all exposures located in the Member State that is setting the buffer; ☐ (b) the following sectoral exposures located in the Member State that is setting the buffer: (i) ☐ all retail exposures to natural persons that are secured by residential property; (ii) ☐ all exposures to legal persons that are secured by mortgages on commercial immovable property; (iii) ☐ all exposures to legal persons excluding those specified in point (ii); (iv) ☐ all exposures to natural persons excluding those specified in point (i); ☒ (c) subsets of any of the sectoral exposures identified in point (b). Please specify the subsets in Section 2.3; ☐ (d) all exposures located in other Member States;

<table>
<tr><td></td><td>☐ (e) exposures located in third countries.</td></tr>
<tr><td>2.3 Subsets of sectoral exposures</td><td>
Where the systemic risk buffer applies to subsets of any of the sectoral exposures identified (see point 2.2 (c)), please specify:

The elements of the dimensions and subdimensions that were used to identify the subset(s) of sectoral exposures as laid down in the EBA Guidelines on the appropriate subsets of exposures in the application of SyRB:

<table>
<tr><th>Dimensions/subdimensions</th><th>Elements</th></tr>
<tr><td>1. Type of debtor or counterparty sector</td><td>Retail exposures</td></tr>
<tr><td>1.a Economic activity</td><td></td></tr>
<tr><td>2. Type of exposure</td><td></td></tr>
<tr><td>2.a Risk profile</td><td>IRB portfolios</td></tr>
<tr><td>3. Type of collateral</td><td>Exposures secured by residential immovable property for which the collateral (immovable property) is located in Belgium</td></tr>
<tr><td>3.a Geographical area</td><td></td></tr>
</table>

Assessment conducted in accordance with Section 5 of the EBA Guidelines on the systemic relevance of the risks stemming from this subset, taking into account:
(i) size
(ii) riskiness
(iii) interconnectedness.
Why it would not have been appropriate to set the systemic risk buffer at the level of a sector (as in point 2.2(b)) to cover the risk targeted?

<u>Assessment conducted in accordance with Section 5 of the EBA Guidelines</u>

Size: The NBB assesses that the size of the targeted subset of sectoral exposures can give rise to a serious risk to the financial system and the real economy in Belgium (see 4.1.i below)
Riskiness: The NBB assesses that credit losses in the targeted portfolio might be significant under an adverse macroeconomic scenario (see section 4 below)
Interconnectedness: the materialisation of risk in the targeted subset could lead to negative spillover effects to other exposures (including CRE-exposures) or to the economy / economic growth in general (impact on consumption etc…). By allowing to absorb first-round losses and to provide support to borrowers, hence limiting e.g. the number of house evictions, forced sales and the related impact on housing prices, the intended SSyRB, while not directly designed to cover such spillovers is expected to limit them. Potentially remaining second-round effects could be covered by a complementary measure (e.g. CCyB) with a larger scope (see also section 5.3 below).

The intended SSyRB targets specific exposures, i.e. IRB retail exposures secured by residential immovable property for which the collateral (immovable property) is located in Belgium. As the share of those exposures in the total exposures of each individual institution differs markedly, the application of a SyRB at the level of the sector is not justified.

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2.4 Exposures located in other Member States and in third countries	/

2.5 Buffer rate

(Article 133(9)(e) CRD)

Specify the intended SyRB rate. If different buffer requirements apply to different exposures or subsets of exposures, please specify for each exposure indicated under 2.2.

Please indicate any changes to the list in 2.1 of institutions concerned and in the buffer rates given in point 2.5 as compared to the last notification, and provide an explanation, if applicable.

Exposures	**New SyRB rate**		**Previous SyRB rate**	
	All institutions (SyRB rate)	**Set of institutions** (range of SyRB rates)	**All institutions** (SyRB rate)	**Set of institutions** (range of SyRB rates)
(a) All exposures located in the Member State that is setting the buffer	%	% - %		
(b) *The following sectoral exposures located in the Member State that is setting the buffer:*				
(i) All retail exposures to natural persons that are secured by residential property	%	% - %		
(ii) All exposures to legal persons that are secured by mortgages on commercial immovable property	%	% - %		
(iii) All exposures to legal persons excluding those specified in point (ii)	%	% - %		
(iv) All exposures to natural persons excluding those specified in point (i)	%	% - %		
(c) All exposures located in other Member States	%	% - %		
(e) Exposures located in third countries	%	% - %		
(f) *Subsets of any of the sectoral exposures identified in point (b):*				
(i) IRB retail exposures secured by residential immovable property for which the collateral (immovable property) is located in Belgium (both non-defaulted and defaulted exposures)	9 %	% - %		

If different buffer requirements apply to different subsets of institutions, please specify for each institution mentioned under 2.1.

Set of institutions				
Exposures	**Name of institution**	**LEI code**	**New SyRB rate**	**Previous SyRB rate**
			%	
			%	

	<table><tr><td></td><td></td><td></td><td>%</td><td></td></tr></table>
3. Timing for the measure	
3.1 Timing for the decision	**What is the date of the official decision? <u>For SSM countries when notifying the ECB:</u> provide the date on which the decision referred to in Article 5 of the Single Supervisory Mechanism Regulation (SSMR) will be taken.** 23/12/2021
3.2 Timing for publication	**What is the proposed date of publication of the notified measure?** 29/04/2022
3.3 Disclosure	**Information about the strategy for communicating the notified measure to the market.** **Do you also intend to publish the justification for the SyRB? If not, why do you consider that publication could jeopardise the stability of the financial system?** The NBB intends to publish a justification for the SyRB when implementing the measure, as had been the case when introducing, amending or extending previous measures according to Art. 458 CRR. In particular, the NBB intends to focus its communication on the following aspects: • The targeted risks remain significant (see 4.1. below) • The already built-up buffer (under art.458 measure) will thus be maintained for the time being (status quo), albeit under a new legal form. • The shift to a new tool is not expected to generate any negative consequences, e.g. in terms of credit developments.
3.4 Timing for application	What is the intended date of application of the measure? 01/05/2022
3.5 Phasing in	No phase-in is foreseen
3.6 Review/deactivation of the measure	**Until when will the measure presumably be in place? What are the conditions for its deactivation? On what indicators would the decision be based? Please specify whether you intend to review the measure before the maximum period of two years foreseen in Article 133(8)(b) CRD.** A measure inducing a macroprudential capital buffer for the abovementioned exposures is in place in Belgium since 2013, and since 2014 based on Art.458 CRR. The measure is expected to remain in place until targeted risks materialise or disappear. In the event for example of a shock affecting the housing market or inducing a steep rise in unemployment, the release of the buffer, when a substantial increase in payment difficulties for mortgage borrowers is observed, should ensure that, on the one hand, banks can recognise losses in a timely manner while remaining resilient, and that, on the other hand, banks are able to proactively provide sustainable solutions to over-indebted customers; which would reduce the risk of a crisis in the housing market due to a sharp rise in payments defaults and evictions.

	The NBB intends to review the level of the buffer looking forward, based on observed changes in the risk in the stock of targeted exposures, taking i.a. into account the positive impact of the NBB prudential expectations on the credit quality of the new mortgage credit production.
4. Reasons for the notified SyRB	
4.1 Description of the macroprudential or systemic risk in your Member State **(Article 133(9)(a) of the CRD)**	**Where applicable, please classify the risks targeted by the notified SyRB under the following categories:** **(i) risks stemming from the structural characteristics of the banking sector** - **Size and concentration of banks** - **Ownership structure** - **Other structural risks** **(ii) risks stemming from the propagation and amplification of shocks within the financial system** - **Exposure concentration/asset commonality** - **Commonality in bank business models** - **Financial interconnections and contagion** **(iii) risks to the banking system stemming from either the real economy or specific sectors** - **Economic openness** - <u>**Sectoral risks from the private non-financial sector, households and the public sector**</u> **(iv) Other risks** **Please specify:** - **Whether these risks are widespread across the whole financial sector?** - **Or whether they are concentrated only in one or more subsets of the sector?** The intended measure follows up on the current Article 458 CRR measure and will target the same risk. Since the introduction of its macroprudential measure based on Article 458 in 2018, the NBB has been closely monitoring developments on the Belgian real estate market, the sustainability of household indebtedness and the quality of banks' loan portfolios. This monitoring indicates that, in the event of an important price correction/decline for residential real estate and/or a major shock to unemployment, banks may suffer major credit losses on their mortgage portfolios (see section 4.4. below). The risk assessment mainly covers the persistence – also during the COVID-crisis - of the following vulnerabilities: (i) the protracted expansion of all banks' exposures to mortgage lending to Belgian households, secured by low capital buffers as a consequence of the low microprudential risk weights applied by IRB banks against these exposures; (ii) persistent and increasing signs of overvaluation and downside risks in housing prices; (iii) the persistence and increase of household indebtedness; and (iv) intense competition between credit institutions on the mortgage loan market as a consequence of the low interest rate environment which puts pressure on banks' profitability. It must in this regard be highlighted that risks did not materialise during the COVID-crisis

	but that, on the contrary, as discussed in the paragraphs below, some of the vulnerabilities amplified during the period from end-March 2020. The overall risk assessment is driven by the following developments : on the one hand, an increase in medium-term vulnerabilities on the back of an increased dynamism in the Belgian residential real estate market, in terms of prices, transactions and mortgage credit; and on the other hand, a significant improvement in the risk profile of the new mortgage loan production since the introduction of the NBB prudential expectations. While it is difficult to say what the exact impact from these opposite developments is in net terms, the NBB assesses the overall risk as being broadly stable compared to the assessment made one year ago in the context of the extension of the Art. 458 CRR measure. i. Protracted expansion of banks' exposures to mortgage lending to Belgian households, secured by low IRB risk weights Resident banks are increasingly exposed to the Belgian RRE market and continue to expand their mortgage portfolios. Total outstanding mortgage loans granted by Belgian banks to Belgian households grew from € 169 billion at the end of 2014 to € 224 billion in March 2020 and to € 244 billion at the end of September 2021, which corresponds to an increase from 15% to about 21% of banks' total assets over the period. Expressed in terms of CET1 capital, these exposures rose from 362% to 400% over the same period. This is the result of a persistently high growth rate of mortgage lending to Belgian households, with an average (year-on-year) growth rate of 5.5% over this period, which is well above the average growth of mortgage lending to households of 3.1% recorded in the euro area over the same period. This growth rate remained high in Belgium also during the more recent period, even reaching levels higher than 6% as from mid-2021 (back to pre-Covid levels) with a similar phenomenon observed on average in the euro area. In a context of significant vulnerabilities, low microprudential risk weights (9.8%) applied by IRB banks to RRE exposures are from a macroprudential perspective a source of concern. The intended measure ensures the build-up of capital buffers — commensurate with the increasing IRB banks' residential real estate exposures — that are deemed sufficiently high to absorb a potential increase in credit losses on Belgian mortgage loan exposures. ii. Persistent signs of overvaluation in housing prices Nominal property prices (for residential real estate) in Belgium have almost tripled (times 2.9) since 2000, without experiencing any major price correction – not during the global financial crisis and not during the COVID-crisis. With an average year-on-year growth rate of 5.0% since 2000, the reference price index for residential real estate currently stands, in nominal terms, at the highest level recorded. In real terms, the average growth rate is 3.1%. Corresponding values for the euro area are 3.3% (nominal) and 1.7% (real). In 2020, the year-on-year growth rate of housing prices stood at 5.8% in nominal terms (and 4.7% in real terms), an increase compared to previous years – at levels close to the average observed in the euro area - and in H1 2021 (compared to the average price level of H1 2020), this rate stood at 7.9% in nominal terms and 6.9% in real terms (levels somewhat higher than on average in the euro area). RRE price developments have been more dynamic than justified by changes in fundamentals, leading to signs of (some) persistent overvaluation in the Belgian RRE market. This computed overvaluation increased recently on the

	back of dynamic price developments. These recent price developments could however be driven by some temporary demand- and supply-factors. In addition, it must be reminded that measuring over- or undervaluation in the residential real estate market remains difficult and subject to substantial uncertainty as the estimates crucially hinge on a number of assumptions underlying the model or benchmark being used as equilibrium level. The NBB uses a model-based time series approach to explain (real) house price developments based on a number of key determinants, including interest rates, real disposable income, characteristics of mortgage loans, the tax regime applicable to residential property and demographic developments. To the extent that these determinants are considered to reflect their (long-run) equilibrium value, the model's residuals can be used to assess over- and undervaluation in the Belgian residential real estate market. Between 2015 and 2020, the model suggested an overvaluation of RRE prices in the range of 5 to 10%. Thereafter, the overvaluation of Belgian RRE prices increased further reaching more than 20% in 2021. The model-based overvaluation estimate is (as with any other metric) not only subject to uncertainty. It is also conditional on the current fundamentals (e.g. low interest rates) determining the equilibrium price level. iii. Persistence of household indebtedness The debt ratio of households increased gradually from 38.6% in 2002Q1 to 64.3% GDP in 2021Q2, raising some concerns about debt sustainability. Belgian households' debt ratio exceeds the euro area average debt ratio. The ratio increased markedly as from 2020Q2 when GDP fell and stabilised in 2021Q1 before decreasing somewhat in 2021Q2. When combined with a deterioration in lending standards (as observed in Belgium between 2014 and 2019), these developments may also be indicative of the presence of risk pockets of over-indebted households which may be vulnerable in case of crisis/recession. Despite the significant tightening of lending conditions observed since the introduction of supervisory expectations in January 2020, the NBB considers that the current proportion of loans (already on the portfolio of banks) to riskier segments is still high. If credit standards remain in line with the supervisory expectations, they will contribute to a steady but gradual reduction of the future stock risks in banks' portfolios. iv. Intense competition between credit institutions on the mortgage loan market Strong competition in the Belgian mortgage market is expected to remain in the coming years, in an environment still characterised by low interest rates. Despite the major improvement observed recently in the risk profile of the new mortgage loan production, this intense competition between the main credit institutions might lead to some underpricing of risks.
4.2 Reasons why the dimension of the macroprudential or systemic risks threatens the stability of the financial system in your Member State **(Article 133(9)(b) CRD)**	Given the current level of (medium-term) vulnerabilities, a severe downturn in the Belgian residential real estate market cannot be excluded and may have a substantial impact on Belgian credit institutions' solvency positions (given the importance of residential mortgage loan portfolios in the balance sheet of Belgian credit institutions - around 21% of total assets and 400% of CET1 capital, on average). This may in turn bring further unfavourable consequences

	for the Belgian real economy (potentially amplified by relatively high household leverage).
4.3 Indicators used for activation of the measure	**Provide the indicators triggering activation of the measured. When notifying the ECB, please provide the data on which the decision is based, if possible (preferably in an Excel file).** The main indicators are: • house prices, including indicators for price valuation • household debt ratio • mortgage loan growth • credit standards (LTVs, DSTIs, mortgage loan maturity, banks' interest rate margins, etc.) • risk weights
4.4 Effectiveness and proportionality of the measure **(Article 133(9)(c) CRD)**	**Explanation why the draft measures are deemed likely to be effective and proportionate to mitigate the risk. E.g. how will the effectiveness of the measure be assessed? Based on which indicators? What are the expected transmission mechanisms?** The new measure is effective in maintaining banks' resilience - albeit under a new legal form - in a context of persisting vulnerabilities (overvaluation and increasing household leverage). It directly acts on – and increases – CET1 capital demand of IRB banks for RRE portfolios, for which microprudential risk weights are deemed too low compared to the observed persistent systemic risks in the residential real estate markets by targeting the stock risks in banks' RRE exposures — by providing sufficient capital buffers (securing resilience in the banking sector) to overcome a severe downturn scenario (see section "Calibration" below). Such a severe downturn scenario would impact banks' solvency position by impacting both borrowers' repayment capacity (PDs) and collateral values (LGD). The new measure, as the current one (art. 458 CRR), is proportionate. No signs of any strong impact on overall credit supply (neither in pricing nor in volume terms) and, indirectly, on the real economy have been observed during the period of application of the current 458 CRR measure, nor have any signs of disruption of the Single Market (through cross-border spillovers). There is no indication that these impacts would be different when maintaining the overall capital buffer at the same level. Moreover, this capital-based measure is complementary to the NBB prudential expectations, addressing the flow risks in new mortgage loans. The NBB is closely monitoring the observed systemic risks in mortgage portfolios and RRE markets and signs of their potential materialisation. The NBB will consider the release of the measure if the conditions for a suitable release of the measure are met. The NBB will consider immediate withdrawal of the measure should banks start taking substantial losses in the event of rising defaults or significant amounts of debt restructuring. The exact release modalities will be based on specific market developments. <u>Calibration</u>

	The current measure primarily aims at enhancing the resilience of Belgian IRB banks to potential (severe) downward corrections in residential real estate markets against the background of increasing credit exposures of Belgian households (and banks) and sustained price increases (and overvaluation) in real estate over the past years. For this reason, the calibration of the current measure was based on an assessment of credit losses under stress scenarios for the real estate market. These scenarios stress both PDs (using crisis episodes in other European countries as a benchmark) and LGDs (through the application of a severe add-on). The NBB deems that these stress scenarios remain meaningful and severe enough to be used to calibrate the measure. An update of the sensitivity/scenario analysis performed indicates that, on the one hand, microprudential capital requirements (implied by microprudential risk weights) remain insufficient to cover all potential (macroprudential) losses under severe (macroprudential) stress scenarios and, on the other hand, that the current macroprudential buffer is more than sufficient to cover the simulated losses – at sector level. Applying mechanically the simulated scenarios to the latest available data – characterised i.a. by lower default rates – would lead to a reduction by around € 200 million in the need for a macroprudential buffer. However, the NBB decided not to take this into account as e.g. default rates might still be distorted by existing support measures. Another factor that has not been taken into account in the calibration of the macroprudential buffer need, is the marked reduction observed in the "current LTV"-profile of the targeted portfolios - as a result of strong compliance to the NBB prudential expectations. Hence, despite the existence of factors allowing for a reduction of the macroprudential buffer, the NBB decided to adopt a cautious approach, taking into account the current observed dynamism in the Belgian residential real estate market, in terms of prices, transactions and mortgage credit (see also section 4.1. above), and to maintain the macroprudential buffer at its current level at sectoral level, which requires to set the SSyRB at 9%. This cautious approach will allow the NBB to have sufficient time to, inter alia, assess whether currently observed developments in housing prices are sustainable and whether current credit dynamism does not translate into higher capital buffer need. The total impact of the proposed measure (9% SSyRB) on IRB banks' CET1 capital is estimated at € 1,9 billion, which is the exact same amount as if the measure has been maintained in its current form (article 458 CRR). The significant level of the SSyRB implies that the total impact of € 1,9 billion CET1 capital corresponds to an 85% increase in the capital buffer compared to the microprudential CET1 capital requirements for this portfolio. <u>Comparison with the current Article 458 CRR measure</u> When extending the Article 458 CRR measure in 2021 for an additional year, the NBB committed to use the newly available SSyRB – in line with the new pecking order in CRD/CRR - as from the expiration of the Article 458 CRR measure, at the end of the April 2022. In 2021, the NBB decided to extend the Art. 458 CRR measure and not to shift at that time to the SSyRB as it did not want to introduce any discontinuity that would have inevitably resulted from the introduction of a different macroprudential instrument in an uncertain economic context, with procyclical reactions not to be ruled out. The NBB believes that, while the economic

	environment remains somewhat uncertain, it does not justify anymore not to use the SSyRB as from May 2022, also because past concerns about potential lack of substitutability in case of procyclical reaction by one or some institutions have strongly abated. The SSyRB differs from the Article 458 CRR measure in its design. The Article 458 CRR which consisted of a linear component – aiming to address the fact that no IRB model captures systemic risk – and a risk weight multiplier implying that banks with worse risk profiles and lower credit quality are affected to a higher extent by this measure. Both components lead to an increase in RWA. The SSyRB (which applies to microprudential RWAs) works as a multiplier, implying that banks with riskier loan portfolios are affected to an even higher extent than what they would be based on the Article 458 CRR measure. Shifting to a 9% SSyRB has some impact on individual institutions CET1 buffer requirements – as could have been expected given the difference in design between the two measures. When expressed as percentages of relevant EAD, the CET1 macroprudential capital requirements would range from 0.6% to 1.0% for the Article 458 measure, whereas they range from 0.3% to 1.3% for a 9% SSyRB. The most significant decrease is observed for a mid-sized bank with a comfortable solvency position. It must also be noted that while own fund requirements will decrease for some banks, no impact on risk-taking is expected as the NBB prudential expectations (borrower-based measures) provide a backstop in this regard. While there are inevitable differences between the two measures as regards the buffer requirements for individual institutions, the NBB does not assess the SSyRB as being an inferior measure to the Article 458 CRR measure. The SSyRB simply puts more emphasis on the institutions contributing more to the build-up of systemic risk. In any case, the differences between the two measures are not sufficient as to justify not to follow the pecking order of the CRD/CRR. Hence the NBB assesses the SSyRB as a genuine alternative, as from 2022, to the current Article 458 CRR measure.
4.5 Reason why the systemic risk buffer is not duplicating the functioning of the O-SII buffer provided for in Article 131 CRD **(Article 133(9)(f) CRD)**	**Where the systemic risk buffer rate applies to all exposures, please justify why the authority considers that the systemic risk buffer is not duplicating the functioning of the O-SII buffer provided for in Article 131 CRD.** The intended buffer focuses on IRB retail exposures secured by residential immovable property for which the collateral (immovable property) is located in Belgium
5. Sufficiency, consistency and non-overlap of the policy response	
5.1 Sufficiency of the policy response	**For a macroprudential policy to be ‘sufficient’, the policy responses must be deemed to significantly mitigate, or reduce the build-up of, risks over an appropriate time horizon with a limited unintended impact on the general economy.** **Note that the ESRB will use this assessment of the macroprudential stance as relevant input in assessing the sufficiency of the macroprudential policy in the Member States.**

	Please provide any additional information that the ESRB should consider in assessing the sufficiency of the policy response. See title “Calibration” under section 4.4. above. The measure is assessed to be sufficient as the macroprudential buffer it creates allows to absorb direct credit losses simulated under severe scenarios. No unintended impact on the general economy is expected as 1° the previous measure did not lead to any such effect and 2° the current measure intends to maintain previously built capital buffers at sectoral level.
5.2 Consistency of application of the policy response	**For a macroprudential policy to be ‘consistent’, the policy instruments must be deemed to meet their respective objectives as outlined in ESRB/2013/1[3] and must be implemented in accordance with the common principles set out in the relevant legal texts.** **Note that the ESRB assessment of consistency will consider whether the same systemic risks are addressed in a similar way across and within the Member States over time.** **Please provide any additional information that the ESRB should consider in assessing the consistency of the policy response.** [/
5.3 Non-overlap of the policy response	**For a policy instrument to be ‘non-overlapping’, it should aim to address a systemic risk that either differs to the risk addressed by other active tools in the same Member State, or to be complementary to another tool in that Member State which addresses the same systemic risk.** - **Are other policy instruments used to address the <u>same</u> systemic risk?** - **If yes, please explain the need for more than one instrument to address the same systemic risk and how the different instruments interact with each other.** The intended instrument is not assessed to be overlapping with other tools. This measure focuses on direct (first round) credit losses that could occur in IRB banks’ Belgian mortgage loan portfolios. A potential activation of the CCyB could aim to cover, next to other cyclical risks, potential spillovers (second-round effects) from RRE developments (e.g. on CRE market).
6. Cross-border and cross-sector impact of the measure	

[3] Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1) (OJ C 170, 15.6.2013, p. 1).

6.1 Assessment of cross-border effects and the likely impact on the Internal Market **(Article 133(9)(d) of the CRD and Recommendation ESRB/2015/2[4])**	**Assessment of the cross-border effects of implementation of the measure.** **a. Assessment of the spillover channels operating via risk adjustment and regulatory arbitrage. The relevant indicators provided in Chapter 11 of the ESRB Handbook on Operationalising Macroprudential Policy in the Banking Sector[5] and the Framework to assess cross-border spillover effects of macroprudential policies of the ECB Task Force on cross-border spillover effects of macroprudential measures can be used.** **b. Assessment of the:** ○ **cross-border effects of implementation of the measure in your own jurisdiction (inward spillovers);** ○ **cross-border effects on other Member States and on the Single Market of the measure (outward spillovers);** ○ **overall impact on the Single Market of implementation of the measure.** The measure applies only to the Belgian residential market and there is no indication that it has had – under its current form - any significant impact on individuals or companies outside Belgium. In addition, in view of the importance of cross-border banking groups in Belgium and the degree of openness of the economy, safeguarding financial stability in Belgium will also have positive effects on financial stability in Europe Since the implementation of the macroprudential measure – under its current form-, the NBB has not observed any signs of negative impact on the Internal Market that would outweigh the financial stability benefits resulting in a reduction of the macroprudential or systemic risk identified. There is no reason to expect this observation to change when shifting to a SSyRB.
6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	**Referring to your Member State's specific characteristics, what is the scope for "leakages and regulatory arbitrage" in your own jurisdiction (i.e. circumvention of the measure/leakages to other parts of the financial sector)?** **Is there scope for "leakages and regulatory arbitrage" in other jurisdictions?** The impact on other sectors of the financial system will continue to be closely monitored, especially among insurance companies, as capital requirements are lower for part of these of exposures for insurance companies, raising the risks of leakages in the context of financial conglomerates in Belgium. The current measure has not led to any observation of substantial leakage to the non-bank sector. It is not expected that the shift to a SSyRB would change this picture.

[4] Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).
[5] Available on the ESRB's website at www.esrb.europa.eu.

6.3 Request for reciprocation by other Member States

(Article 134(5) CRD and Recommendation ESRB/2015/2)

Does the authority intend to ask the ESRB to issue a recommendation to other Member States to reciprocate the measure in accordance with Article 134(5) CRD?

Yes

- If yes, please provide in Section 6.4. the justification for that reciprocity.
- If no, what are the reasons for not requesting reciprocation?

6.4 Justification for the request for reciprocation by other Member States

(Article 134(5) CRD and Recommendation ESRB/2015/2)

To request reciprocation, please provide the following:

- **a concise description of the measure to be reciprocated;**
- **the financial stability considerations underlying the reciprocity request, including the reasons why the reciprocity of the activated measure is deemed necessary for its effectiveness;**
- **the proposed materiality threshold and justification for that level.**

If the ESRB deems the request for reciprocation to be justified, the description provided will form the basis for translation into all EU official languages for the purposes of an update of Recommendation ESRB/2015/2.

In view of the systemic nature of the identified risks and the international character of the Belgian banking sector, the NBB asks the ESRB to recommend that other Member States recognise the measure.

Ideally, the measure should be reciprocated using the exact same scope as the NBB measure, i.e. IRB retail exposures secured by residential immovable property for which the collateral (immovable property) is located in Belgium (both non-defaulted and defaulted exposures). Alternatively, the measure can be reciprocated using the following scope in COREP reporting: IRB retail exposures secured by residential immovable property vis-à-vis individuals located in Belgium (both non-defaulted and defaulted exposures).

In order to avoid disproportionate implementation costs for reciprocating Member States, the NBB suggests to set an institution-level maximum materiality threshold of € 2 billion to be applied when reciprocating the measure, ensuring coherence with the materiality threshold used for the current Art.458 CRR measure.

7. Combination of the SyRB with other buffers

7.1 Combination with G-SII and/or O-SII buffers

(Article 131(15) CRD)

Is the sum of the systemic risk buffer rate and the higher of the O-SII/G-SII buffer rates to which the same institution is subject above 5%?

Please provide a list of the institutions subject to a G-SII or an O-SII buffer, indicating the G-SII or O-SII buffer and the sum of the G-SII/O-SII and SyRB buffers (a combined buffer rate of over 5% requires authorisation by the Commission).

Name of institution	G-SII/O-SII buffer rate	O-SII consolidation level	Sum of G-SII/O-SII and SyRB rates
BNP Paribas Fortis SA/NV	%	1.5%	10.5 %

	<table><tr><td>KBC Bank NV</td><td>%</td><td>1.5%</td><td>10.5 %</td></tr><tr><td>Belfius Bank SA/NV</td><td>%</td><td>1.5%</td><td>10.5 %</td></tr><tr><td>ING Belgium NV</td><td>%</td><td>1.5%</td><td>10.5 %</td></tr><tr><td>Argenta Spaarbank SA/NV</td><td>%</td><td>0.75%</td><td>9.75%</td></tr><tr><td>AXA Bank Belgium</td><td>%</td><td>0.75%</td><td>9.75%</td></tr><tr><td></td><td>%</td><td></td><td>%</td></tr></table>
7.2 Combination with other systemic risk buffers **(Article 133(11) and (12) CRD)**	**Indicate all sets or subsets of exposures that would be subject to one or more systemic risk buffers with a combined systemic risk buffer rate in the ranges below:** - **above 3% and up to 5%** - **above 5%** **Indicate whether any subsidiaries of a parent in another EU Member State would be subject to a combined systemic risk buffer rate above 3%.** No combination with other systemic risk buffers. All institutions identified under section 2.1. above have a combined systemic risk buffer above 5%, including two subsidiaries (also identified under section 2.1. above) /
8. Miscellaneous	
8.1 Contact person(s)/mailbox at notifying authority	Alexandre Francart – alexandre.francart@nbb.be Alexandre Reginster – alexandre.reginster@nbb.be Thomas Schepens – thomas.schepens@nbb.be
8.2 Any other relevant information	/
8.3 Date of the notification	Please provide the date on which this notification was uploaded/sent. 11/01/2022