

Notification template for Article 124 of the Capital Requirements Regulation (CRR) – Risk Weights

Template for notifying the European Banking Authority (EBA), European Central Bank (ECB) and European Systemic Risk Board (ESRB) of higher risk weights being set for immovable property pursuant to Articles 125(1) and 126(1) CRR or on applying stricter criteria than those set out in Articles 125(2) and 126(2) CRR

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation¹);
- [DARWIN/ASTRA](#) when notifying the ESRB;
- portal.eba.europa.eu when notifying the EBA.

The ESRB will publish the risk weights and criteria for exposures referred to in Articles 125, 126 and 199(1)(a) of the CRR as implemented by the relevant authority. This notification will be made public by the ESRB after the relevant authorities have adopted and published the notified macroprudential measure².

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 submit the notification template in a format that allows the information to be read electronically.

1. Notifying national authority	
1.1 Name of the notifying authority	Minister of Finance
1.2 Country of the notifying authority	Poland
2. Scope of the notification and description of the measure	
2.1 Exposures secured by mortgages on residential property	<p>a) Do you intend to set a higher risk weight than that set out in Article 125(1) CRR for exposures fully and completely secured by mortgages on residential property?</p> <p>No. The notified measure is aimed at repealing the regulation of the Minister of Development and Finance of 25 May 2017 on higher risk weights for exposures secured by mortgages on immovable properties. The repeal of the regulation will result in application of the standard risk weights specified in the CRR III.</p> <p>b) If yes, please specify:</p>

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authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

	<ul style="list-style-type: none"> - Which risk weight you intend to change. Please specify the new risk weight to be set (between 35% and 150%). n/a - To which part(s) of your Member State territory will the new risk weight for exposures set out above apply? n/a - To which property segment(s) will the new risk weight for exposures set out above apply? n/a <p>c) Do you intend to apply stricter criteria than those set out in Article 125(2) CRR for exposures fully and completely secured by mortgages on residential property? No</p> <p>d) If yes, please specify:</p> <ul style="list-style-type: none"> - What criteria you intend to add or tighten. - To which part(s) of your Member State territory the stricter criteria set out above will apply? - To which property segment(s) will the new risk weighting for exposures set out above apply? <p>n/a</p>
<p>2.2 Exposures secured by mortgages on commercial immovable property</p>	<p>e) Do you intend to set a higher risk weight than that set out in Article 126(1) CRR for exposures fully and completely secured by mortgages on commercial immovable property? No. The notified measure is aimed at repealing the regulation of the Minister of Development and Finance of 25 May 2017 on higher risk weights for exposures secured by mortgages on immovable properties. The repeal of the regulation will result in application of the standard risk weights specified in the CRR III.</p> <p>f) If yes, please specify:</p> <ul style="list-style-type: none"> - What risk weight you intend to set. Please specify the new risk weight to be set (between 50% and 150%). - To which part(s) your Member State territory will the new risk weight set out above apply? - To which property segment(s) will the new risk weight set out above apply? <p>n/a</p> <p>g) Do you intend to apply stricter criteria than those set out in Article 126(2) CRR for exposures fully and completely secured by mortgages on commercial immovable property? No</p> <p>h) If yes, please specify:</p> <ul style="list-style-type: none"> - What criteria you intend to add or tighten. - To which part(s) of your Member State territory will the stricter criteria set out above apply? - To which property segment(s) will the new risk weight set out above apply? <p>n/a</p>
<p>2.3 Other relevant information</p>	<p>Any other relevant information. The CRR III will be applied since the 1st January of 2025. On 20th September 2024 the Financial Stability Committee (the FSC or the Committee) – authority responsible for macroprudential supervision in Poland – adopted the resolution No 77/2024 on recommendations regarding risk management related to exposures secured by</p>

	<p>mortgages on real estate in the context of application of CRR III. The FSC recommended to repeal the regulation of the Minister of Development and Finance of 25 May 2017 on higher risk weights for exposures secured by mortgages on immovable properties.</p> <p>The FSC emphasized that the amended provisions of CRR III significantly modify the existing rules regarding the application of risk weights for exposures secured by real estate and introduce a multiplier (1,5) that increase the risk weight for exposures with currency mismatch. The new rules increase stability of the financial system through appropriate risk assessment and management related to exposures secured by residential real estate with currency mismatch. The Committee recognized the fact that the amended CRR III provisions are aligned with the goals of the current Polish macroprudential measure.</p> <p>The FSC also underlined changes introduced by the CRR III regarding setting risk weights for commercial real estate, including the specific nature of the exposure secured on income-generating real estate. It noted that the goals of the Minister of Development and Finance regulation will be achieved through direct application of the CRR III provisions.</p>
3. Timing for the measure	
3.1 Timing for the decision	<p>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.</p> <p>The FSC recommendation was issued on the 20 September 2024 to the minister responsible for financial institutions – the Minister of Finance. The Ministry prepared the proposal for a regulation repealing the regulation of 25 May 2017, and then initiated legislative process on the 23 September 2024.</p> <p>20/09/2024</p>
3.2 Timing for publication	<p>What is the date of publication for the notified measure?</p> <p>December 2024</p> <p>Click here to enter a date.</p>
3.3 Disclosure	<p>Information about the strategy for communicating the notified measure to the market.</p> <p>Please provide a link to the public announcement, if any.</p> <p>The FSC informed public opinion about its recommendation, so the market is already aware of intention to repeal the current regulation of the Minister of Development and Finance. The Minister of Finance is empowered to initiate legislative process and issue legally binding regulations. This process requires public announcement and part of it are public consultations with the market. When the legislative process will come to an end and the regulation will be signed by the Minister of Finance, it will be published in the Journal of Law.</p> <p>The market is aware of planned repeal of the measure since 2025.</p> <p>https://nbp.pl/komunikat-komitetu-stabilnosci-finansowej-po-posiedzeniu-dotyczacym-nadzoru-makroostroznosciowego-nad-systemem-finansowym-12/</p>

	https://nbp.pl/wp-content/uploads/2024/09/Uchwala-77-ws.-wag-ryzyka-do-publikacji.pdf
3.4 Timing for application	What is the intended date for application of the measure? 01/01/2025
3.5 Frequency/review	Does your decision to set higher risk weights have an expiry date? When will the decision be reviewed? n/a
4. Reason for setting higher risk weights or stricter criteria than those set out in Articles 125(2) or 126(2) CRR	
4.1 Regulatory context	What are the current risk weights applied to exposures secured by mortgages on residential property and on commercial immovable property?
4.2 Risk weights versus actual risks	Specify the reasons why the risk weights for exposures to one or more property segments fully secured by mortgages on residential property or on commercial immovable property located in one or more parts of your Member State territory do not reflect the actual risks of these exposures and put your answers in perspective vis-à-vis the real estate markets of other European Member States.
4.3 Motivation	<u>a) Loss experience</u> <ul style="list-style-type: none"> - Provide details about the loss experience in the real estate market of your Member State that has led you to conclude that higher risk weights must be set or stricter criteria applied than those set out in Articles 125(2) and 126(2) CRR. - Which of the data referred to in Article 430a CRR were considered in your assessment? - Provide any other indicators and other relevant information on the basis of which the assessment was made. If possible, please provide the data (preferably in an Excel file).
	<u>b) Forward-looking real-estate market developments</u> <ul style="list-style-type: none"> - Describe the forward-looking real-estate market developments that led you to conclude that higher risk weights should be set or stricter criteria applied than those set out in Articles 125(2) and 126(2) CRR. - Provide the indicators and any other relevant information on the basis of which the assessment was made. If possible, please provide the corresponding data (preferably in an Excel file).
	<u>c) Financial stability considerations</u> <ul style="list-style-type: none"> - What are the financial stability considerations that were taken into account? - Please include: <ul style="list-style-type: none"> o the factors that could 'adversely affect current or future financial stability' as referred to in Article 124(2)(2) CRR; and, o the indicative benchmarks that you took into account in determining the higher risk weights. - Provide the indicators and any other relevant information on the basis of which the assessment was made. If possible, please provide the data (preferably in an Excel file).
5. Sufficiency, consistency and non-overlap of the policy response	

<p>5.1 Sufficiency of the policy response</p>	<p>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.</p> <p>Note that the ESRB will use the assessment of the macroprudential stance as relevant input in assessing the sufficiency of the macroprudential policy in the Member State.</p> <p>Please provide any additional information that the ESRB should consider in assessing the sufficiency of the policy response.</p> <p>The notified measure is aimed at repealing the regulation of the Minister of Development and Finance of 25 May 2017 on higher risk weights for exposures secured by mortgages on immovable properties. As of 1 January 2025 risk weights set out in Article 125(1) and Article 126(1) CRR shall be binding.</p>
<p>5.2 Consistency of application of the policy response</p>	<p>For a macroprudential policy to be 'consistent', the policy instruments must be deemed to meet their respective objectives, as outlined in ESRB/2013/1³, and they must be implemented in accordance with the common principles set out in the relevant legal texts.</p> <p>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.</p> <p>Please provide any additional information that the ESRB should consider in assessing the consistency of the policy response.</p> <p>Yes. The proposed regulation is implemented in accordance with the applicable legal principles.</p>
<p>5.3 Non-overlap of the policy response</p>	<p>For a policy instrument to be 'non-overlapping', it should aim to address a systemic risk that either differs from a risk addressed by other active tools in the same Member State, or be complementary to another tool in that Member State which addresses the same systemic risk.</p> <ul style="list-style-type: none"> - 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. <p>There are no other policy instruments used to address the same risk.</p>
<p>6. Cross-border and cross-sector impact of the measure</p>	

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).

<p>6.1 Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2⁴)</p>	<p>Assessment of the cross-border effects of implementation of the measure.</p> <p>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 Sector⁵ 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.</p> <p>b. Assessment of the:</p> <ul style="list-style-type: none"> ○ 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. ○ .
<p>6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>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)?</p> <p>Is there scope for "leakages and regulatory arbitrage" in other jurisdictions?</p> <p>We do not expect any leakages and regulatory arbitrage. The general rules of Article 125 and 126 of CRR shall be binding as of 1 January 2025.</p>
<p>7. Miscellaneous</p>	
<p>7.1 Contact person(s)/mailbox at notifying authority</p>	<p>Contact person(s) (name, phone number and e-mail address) and mailbox for further inquiries.</p> <p>Anna Wendler anna.wendler@mf.gov.pl</p>
<p>7.2 Any other relevant information</p>	
<p>7.3 Date of the notification</p>	<p>Please provide the date on which this notification was uploaded/sent.</p> <p>27/09/2024</p>

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/2015/2) (OJ C 97, 12.3.2016, p. 9).

⁵ Available on the ESRB's website at www.esrb.europa.eu.