ESRB
European Systemic Risk Board
European System of Financial Supervision

EUROPEAN CENTRAL BANK
EUROSYSTEM

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.	Central Bank of Ireland
1.2	Name of the macroprudential measure that is notified.	Borrower based mortgage measures.
2. Description of the measure		
2.1	Description of the measure.	Revision to existing proportionate Loan-to-Value (LTV) and Loan-to-Income (LTI) measures applicable in Ireland, with one refinement to the application of the LTI allowance and one technical amendment on collateral valuations, both introduced to improve the overall effectiveness of the measures. The allowances which permit a proportion of mortgage lending above the LTI limit are to be considered separately for first-time-buyers (FTBs) and second and subsequent buyers (SSBs). The revision allows for 20 per cent of the value of new mortgage lending to FTBs to be above the LTI cap (of 3.5 gross income) and 10 per cent of the value of new mortgage lending to SSBs to be above the 3.5 LTI. Up to end-2017, the LTI allowance has been set at 20 per cent of the combined value of FTB and SSB lending. Clarification is provided on the collateral valuation for construction-related mortgage lending (e.g. financing of renovations). At the time of entering a loan agreement, when calculating the value of the collateral, lenders will be required to take the lower of; the estimated market value of the

		property after completion of all works, or; the sum of the site cost plus the cost of work, as estimated at the time of entering into the loan agreement.
2.2	Legal basis and process of implementation of the measure.	The legal basis for the measures is contained with Statutory Instrument No. 47/2015 - Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Housing Loan Requirements) Regulations 2015 (http://www.irishstatutebook.ie/eli/2015/si/47/made/en/print#) as amended by Statutory Instrument No. 568/2016 - Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Housing Loan Requirements) (Amendment) Regulations 2016 (http://www.irishstatutebook.ie/eli/2016/si/568/made/en/print#) and by Statutory Instrument No. 559/2017 - Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Housing Loan Requirements) (Amendment) Regulations 2017 (https://www.centralbank.ie/docs/default-source/financial-system/financial-stability/macroprudential-policy/policy-documents/2017-regulations-(statutory-instrument-no-559-of-2017).pdf?sfvrsn=4).
2.3	Coverage	All supervised institutions extending mortgage loans to consumers on a property with an exposure based in Ireland.
2.4	Any other relevant information.	N/A
3. Timing		
3.1	Timing of the decision	28 November 2017

3.2	Timing of the publication	12 December 2017
3.3	Disclosure	The Central Bank of Ireland announced the outcome of the 2017 review of the mortgage measures to the market and general public on 28 November 2017 via press conference and a published report on the review on the Central Bank website. The Statutory Instrument giving effect to the decision was signed on 11 December 2017. See Central Bank of Ireland website for further detail: https://www.centralbank.ie/financial-system/financial-stability/macro-prudential-policy/mortgage-measures
3.4	Timing of the application	01 January 2018
3.5	End date (if applicable)	N/A
4. Reason for the activation of the measure		
4.1	Description of the macroprudential risk to be addressed.	Introduced in February 2015, the measures aim to increase both bank and borrower resilience and mitigate the risks of credit-house price spirals emerging. These aims are achieved by limiting the volumes of high LTV and high LTI mortgage lending. As a result of the 2017 Review, the core parameters of the measures, the LTV and LTI limits, remain unchanged. The refinements being introduced to LTI allowances and collateral valuation on certain mortgages aim to improve the overall effectiveness of the measures.
4.2	Description of the indicators on the basis of which the measure is activated.	- Housing market supply and demand indicators - Distribution of LTV and LTI ratios - Distribution of LTV and LTI allowances - Annual rate of change in outstanding mortgages - Volume of mortgage approvals and drawdowns

4.3	Effects of the measure.	The measures continue to play an integral role in strengthening the resilience of banks and borrowers to future financial shocks and in dampening the pro-cyclicality between mortgage lending and property prices. The refinements to LTI allowances and collateral valuation for certain mortgages closely match recent market outcomes and practices. As a result it is not anticipated that the amendments will have a significant impact on the market. The refinement of the LTI allowances will allow the Central Bank of Ireland to respond more effectively to any future risks in FTB and SSB lending, should they emerge.
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)	Analysis of the levels and cost of funding over time, the changes in capital and exposure levels, in addition to the risks posed by non-bank entities, point to non-significant cross-border impacts resulting from the introduction of the mortgage measures.
5.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	The measures cover all new mortgage lending, not only loans offered by banks, therefore regulatory arbitrage within Ireland is not considered a potential risk.
5.3	Request for reciprocation	Reciprocation is not requested given the non-identification of any cross-border leakages following the introduction of the measures.
6. Miscellaneous		
6.1	Contact person(s) at notifying authority.	Martin O'Brien - martin.obrien@centralbank.ie +353 1 224 6829
6.2	Any other relevant information.	N/A