

**OPINION OF THE EUROPEAN SYSTEMIC RISK BOARD**

**of 19 July 2017**

**regarding Finnish notification of a stricter national measure based on Article 458 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (ESRB/2017/3)**

THE GENERAL BOARD OF THE EUROPEAN SYSTEMIC RISK BOARD,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board<sup>1</sup>, and in particular Article 3(2)(j) thereof,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012<sup>2</sup>, and in particular Article 458(4) thereof,

Having regard to Decision ESRB/2015/4 of the European Systemic Risk Board of 16 December 2015 on a coordination framework for the notification of national macroprudential policy measures by relevant authorities, the issuing of opinions and recommendations by the ESRB, and repealing Decision ESRB/2014/2<sup>3</sup>,

Whereas:

- (1) Finanssivalvonta (FIN-FSA, the Finnish Financial Supervisory Authority), acting as designated authority for the purpose of Article 458 of Regulation (EU) No 575/2013, notified the European Systemic Risk Board (ESRB) on 27 June 2017 of its decision to apply a stricter national measure for credit institutions using the Internal Ratings Based Approach (IRB) for calculating regulatory capital requirements, with regard to capital requirements applicable to retail exposures secured by mortgages on residential property located in Finland.
- (2) This proposed stricter national measure consists, in particular, of a credit-institution-specific floor of 15% for the average risk weight on residential mortgage loans and is to be applied on a consolidated basis as from 1 January 2018 with reporting on a quarterly basis.

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1 OJ L 331, 15.12.2010, p. 1.

2 OJ L 176, 27.6.2013, p. 1.

3 OJ C 97, 12.3.2016, p. 28.

- (3) On 22 September 2016 the ESRB adopted Warning ESRB/2016/08<sup>4</sup>, which identified medium-term vulnerabilities in the Finnish residential real estate sector as a source of systemic risk to financial stability, which may have the potential for serious negative consequences for the real economy. From a macroprudential perspective, the ESRB considered the main vulnerability to be the high and increasing household indebtedness, especially among some groups of households. In addition, if risks were to materialise, there could be potential spill-over effects in other countries in the Nordic-Baltic region.
- (4) To assess the stricter draft national measure notified by FIN-FSA, the ESRB's assessment team referred to in Decision ESRB/2015/4 issued an assessment note, which is annexed hereto,

## HAS ADOPTED THIS OPINION:

1. The stricter draft national measure, notified by FIN-FSA under Article 458 of Regulation (EU) No 575/2013, is, under the current circumstances, assessed as warranted. In particular:
  - (a) the changes in the intensity of macroprudential or systemic risk are of such nature as to pose risk to financial stability at national level;
  - (b) Articles 124 and 164 of Regulation (EU) No 575/2013 and Articles 101, 103 to 105, 133, and 136 of Directive 2013/36/EU of the European Parliament and of the Council<sup>5</sup> do not seem to adequately address the macroprudential or systemic risk identified, taking into account the relative effectiveness of those measures;
  - (c) the stricter draft national measure does not entail disproportionate adverse effects on the whole or parts of the financial system in other Member States or in the Union as a whole, thus forming or creating an obstacle to the functioning of the internal market;
  - (d) the issue concerns only one Member State;
  - (e) the risks have not already been addressed by other measures in Regulation (EU) No 575/2013 or in Directive 2013/36/EU.
2. The stricter draft national measure does not have a negative impact on the internal market that outweighs the financial stability benefits resulting in a reduction of the macroprudential or systemic risk identified.
3. The attached assessment note entitled 'Assessment of the notification by Finland in accordance with Article 458 of Regulation (EU) No 575/2013 concerning the application of a stricter national measure for residential mortgage lending' is an integral part of this Opinion.

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<sup>4</sup> Warning ESRB/2016/08 of the European Systemic Risk Board of 22 September 2016 on medium-term vulnerabilities in the residential real estate sector of Finland (OJ C 31, 31.1.2017, p. 49).

<sup>5</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

Done at Frankfurt am Main, 19 July 2017.

Mario Draghi  
Chair of the ESRB