OPINION OF THE EUROPEAN SYSTEMIC RISK BOARD
of 16 February 2018
regarding Belgian notification of a stricter national measure based on Article 458 of
requirements for credit institutions and investment firms
(ESRB/2018/2)

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 Board1, 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 648/20122, 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/2014/23,

Whereas:

(1) The Nationale Bank van België/Banque Nationale de Belgique (NBB/BNB), acting as designated
authority for the purpose of Article 458 of Regulation (EU) No 575/2013, notified the European
Systemic Risk Board (ESRB) on 22 January 2018 of its intention 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 immovable property located in Belgium.

(2) The draft stricter national measure concerns risk weights for targeting asset bubbles in the
residential property sector (Article 458(2)(d)(vi) of Regulation (EU) No 575/2013). In particular it
consists of the imposition, on all domestic IRB credit institutions whose retail exposures (both
defaulted and non-defaulted) are secured by immovable property for which the collateral is situated
in Belgium, of two macroprudential risk weight add-ons: (i) a general risk weight add-on of

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3 OJ C 97, 12.3.2016, p. 28.
5 percentage points; and (ii) a proportionate risk weight add-on consisting of a fraction (33%) of the
weighted-average of the risk weights applied to the exposures at default in each credit institution's
residential mortgage portfolio.

(3) The draft stricter national measure should come into force on 30 April 2018, for two years, and
follows an earlier macroprudential measure, which consisted in a 5 percentage-point general add-
on to the risk weights relevant to IRB credit institutions’ retail exposures secured by mortgages on
residential property located in Belgium, that expired on 28 May 2017.

(4) On 22 September 2016 the ESRB adopted the Warning ESRB/2016/06⁴, which identified medium-
term vulnerabilities in the Belgian residential real estate sector as a source of systemic risk to
financial stability, which could have the potential for serious negative consequences for the real
economy. From a macroprudential perspective, the ESRB considered the main vulnerabilities to be
the fast increase in overall household indebtedness combined with significant groups of already
highly indebted households, against the background of a significant increase in residential real
estate prices over the past few years.

(5) To assess the draft stricter national measure notified by the NBB/BNB, 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 draft stricter national measure notified by the NBB/BNB under Article 458 of Regulation (EU)
   No 575/2013 is, under the current circumstances, justified, suitable, proportionate, effective and
efficient. 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
       adequately address the macroprudential or systemic risk identified, taking into account the
       the relative effectiveness of those measures;

   (c) the draft stricter 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 Directive 2013/36/EU.

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⁴ Warning ESRB/2016/06 of the European Systemic Risk Board of 22 September 2016 on medium-term vulnerabilities

⁵ 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
2. The draft stricter 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 Belgian notification 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.

Done at Frankfurt am Main, 16 February 2018.

Francesco Mazzaferro
Head of the ESRB Secretariat, on behalf of the General Board of the ESRB