

OPINION OF THE EUROPEAN SYSTEMIC RISK BOARD

of 21 June 2018

regarding Swedish 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/2018/4)

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) Finansinspektionen, acting as designated authority for the purpose of Article 458 of Regulation (EU) No 575/2013, notified the European Systemic Risk Board (ESRB) on 24 May 2018 of its intention to apply a stricter national measure for credit institutions using the Internal Ratings Based (IRB) Approach.
- (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, of a credit institution-specific minimum level (floor) of 25% for the exposure-weighted average risk weight on retail exposures in Sweden secured by immovable property.
- (3) The draft stricter national measure should come into force on 31 December 2018.

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.

- (4) On 22 September 2016 the ESRB adopted the Warning ESRB/2016/11⁴, which identified medium-term vulnerabilities in the Swedish 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 vulnerabilities to be the rapidly growing residential real estate prices that appear to be overvalued, and high and increasing indebtedness especially among some groups of households. In addition, if risks were to materialise, there could be potential spillover effects to other countries in the Nordic-Baltic region. The ESRB intends to assess in the near future whether such risks have been adequately addressed by the Swedish authorities taking into account the most recent developments in the Swedish residential real estate sector.
- (5) Structural changes in the Swedish banking sector may reduce the effectiveness of the Pillar 2 measure currently in place to address the abovementioned risks.
- (6) To assess the draft stricter national measure notified by Finansinspektionen, 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 Finansinspektionen under Article 458 of Regulation (EU) No 575/2013 is justified, suitable, proportionate, effective and efficient. In particular:
 - (a) the announced structural changes in the Swedish banking sector may reduce the effectiveness of macroprudential instruments currently in force in Sweden, in particular the macroprudential use of Pillar 2, which can lead to changes in the intensity of macroprudential or systemic risks arising from the residential real estate sector 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 Council⁵ do not adequately address the macroprudential or systemic risks identified, taking into account 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 will not be addressed by other measures in Regulation (EU) No 575/2013 or Directive 2013/36/EU.

⁴ Warning ESRB/2016/11 of the European Systemic Risk Board of 22 September 2016 on medium-term vulnerabilities in the residential real estate sector of Sweden (OJ C 31, 31.1.2017, p. 55).

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 Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

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 risks identified.
3. The attached assessment note entitled 'Assessment of the Swedish 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, 21 June 2018.

Francesco Mazzaferro

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