

OPINION OF THE EUROPEAN SYSTEMIC RISK BOARD

of 13 May 2019

regarding Estonian 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/2019/2)

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) Eesti Pank, acting as designated authority for the purpose of Article 458 of Regulation (EU) No 575/2013, notified the European Systemic Risk Board (ESRB) on 15 April 2019 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 consists, in particular, of the imposition, on all domestic credit institutions using the IRB approach, of a credit institution-specific minimum level (floor) of 15% for the exposure-weighted average of the risk weights applied to the portfolio of retail exposures to obligors residing in Estonia secured by mortgages on immovable property.
- (3) The draft stricter national measure is expected to come into force in the third quarter of 2019 and to remain in force for a period of two years.
- (4) To assess the draft stricter national measure notified by Eesti Pank, 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 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.

EU-LIMITE

1. The draft stricter national measure notified by Eesti Pank under Article 458 of Regulation (EU) No 575/2013 is, under the current circumstances, justified. In particular:
 - (a) given the reductions in average risk weights for retail exposures to obligors residing in Estonia secured by mortgages on immovable property, the capacity of the capital in IRB credit institutions in Estonia to mitigate potential macroprudential or systemic risk is decreasing, which could pose a risk to financial stability at the 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 Council⁴ 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 is suitable, proportionate, effective and efficient and 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 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 Estonian 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, 13 May 2019.



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

Francesco MAZZAFERRO

⁴ 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).