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EUROPEAN
COMMISSION

Brussels, 24.6.2025
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COMMISSION DECISION

of 24.6.2025

not to propose an implementing act to reject the intended extension of the period of application of the national measure notified on 30 April 2025 by Sweden under Article 458(9) in conjunction with Article 458(4) of Regulation (EU) No 575/2013 of the European Parliament and of the Council

(Text with EEA relevance)

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THE EUROPEAN COMMISSION,

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

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 amending Regulation (EU) No 648/2012[1], and in particular Article 458 thereof,

Having regard to the opinions of the European Systemic Risk Board[2] and of the European Banking Authority[3],

Whereas:

(1) On 30 April 2025, Finansinspektionen, the Swedish Financial Supervisory Authority (the 'FSA'), which is the national designated authority in charge of the application in Sweden of Article 458 of Regulation (EU) No 575/2013, notified the Commission and the European Systemic Risk Board (the 'ESRB'), in accordance with Article 458(2) of that Regulation, of its intention to extend for two years the period of application of a national measure concerning risk weights for targeting asset bubbles in the domestic residential property and commercial immovable property sector (the 'Notification') as referred to in Article 458 (9). More in particular, the extension of the national measure will enable the FSA to continue to apply the current exposure-weighted average risk weight floor of 35% for corporate exposures secured by commercial properties physically located in Sweden that generate a rental income, and of 25% for corporate exposures secured by residential properties physically located in Sweden that generate a rental income (jointly referred to as commercial real estate exposures, 'CRE exposures'). The draft extended national measure would be applicable to all credit institutions authorised in Sweden using the Internal Ratings Based (IRB) approach for calculating regulatory capital requirements. The national measure introduced on the 30th September 2023 will expire on 30 September 2025.

1 OJ L 176, 27.6.2013, p.1.

2 Opinion of the European Systemic Risk Board of 27 May 2025 on the Swedish notification of the extended application 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 (ESRB/2025/2).

3 Opinion of the European Banking Authority on measures in accordance with Article 458 Regulation (EU) No 575/2013 of 28 May 2025 (EBA/Op/2025/06).

(2) Pursuant to Article 458(4), second subparagraph, of Regulation (EU) No 575/2013, the ESRB and the European Banking Authority (the ‘EBA’) are to provide the Council, the Commission and the Member State concerned, within 1 month of receiving a notification as referred to in paragraph 2 of that Article, with their opinion on the draft national measure. On 27 May 2025, the ESRB adopted its opinion on the extension of the national measure (the ‘ESRB opinion’). The EBA adopted its opinion on 28 May 2025 (the ‘EBA opinion’).

(3) Article 458(2) of Regulation (EU) No 575/2013 requires that a national authority that wishes to apply a national measure as referred to in Article 458(2), point (d), of that Regulation submits to the Commission and the ESRB relevant quantitative and qualitative evidence showing that the criteria set out in paragraph 2 of that Article are fulfilled. Under Article 458(4), third subparagraph, of Regulation (EU) No 575/2013, the Commission has to consider that evidence before proposing to the Council an implementing act to reject the draft national measure concerned. The Commission has thereby to assess whether there is sufficient evidence of a continued heightened systemic risk and whether such risk poses a threat to the financial system and the real economy of the Member State concerned. The Commission has also to assess the suitability, effectiveness, and proportionality of the draft national measure, and the availability of alternative measures and macroprudential instruments. Pursuant to that same provision, the Commission may propose to the Council an implementing act to reject the draft national measure where, taking utmost account of the opinion of the ESRB and the EBA, there is robust, strong, and detailed evidence that the draft national measure will 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.

(4) The FSA identified an elevated systemic risk that originates from the Swedish CRE sector, namely from corporate exposures secured by commercial or residential real estate properties that generate rental income. Over the recent years, the FSA has noted a significant increase in CRE property prices in Sweden, in parallel with high and further increasing indebtedness of CRE firms. A tightening in financing conditions in future or a worsened macroeconomic situation may impair the ability of CRE firms to service their debts. According to the FSA, the CRE sector is closely connected with the financial system, and CRE firms constitute the largest group of non-financial corporate borrowers for Swedish banks. Potential losses for credit institutions can therefore be high. The FSA also notes that the CRE sector played a significant role in past major financial crises, including in Sweden.

(5) In January 2023, the ESRB acknowledged in its report titled “Vulnerabilities in the EEA commercial real estate” the importance of the CRE sector for financial stability. The ESRB also issued Recommendation ESRB/2022/9, in which authorities in charge of financial stability were recommended to closely monitor vulnerabilities stemming from the CRE market and, where necessary, to address those vulnerabilities, by activating capital-based macroprudential measures to increase the resilience of credit institutions. The ESRB determined that risk weight measures would be suitable in a scenario of varying or continuously declining risk weights for CRE loans.

(6) The ESRB and the EBA, in their opinions, concurred with the assessment of the FSA that the Swedish CRE sector is a source of systemic risk to the Swedish financial system and its national economy.

(7) The Commission has carefully considered the evidence provided by the FSA and has taken utmost account of the views of the ESRB and the EBA in their respective opinion. The Commission considers that there is sufficient evidence as regards the required intensity of macroprudential or systemic risk, which could pose a threat to the financial system in Sweden and its national economy, which is one of the conditions laid down in Article 458(2), points (a) and (b), of Regulation (EU) No 575/2013 for the application of that provision. The intensity of that risk is such that it justifies the implementation of a capital-based macroprudential measure, which should increase the resilience of Swedish credit institutions.

(8) With the extension of the current national measure, the FSA aims to retain the increased resilience in the Swedish financial system in relation to the systemic risk that is connected to the Swedish CRE sector. The FSA notes that for credit institutions that use the IRB approach, the average (exposure-weighted) risk weight is around 15 % for corporate exposures secured by commercial real estate, and 13 % for corporate exposures secured by residential real estate, which may not be adequate and sufficient in light of the that systemic risk. The FSA is therefore of the view that the systemic risk can be best addressed by a risk weight floor that ensures appropriate loss absorbency of Swedish credit institutions for the CRE exposures concerned.

(9) The FSA views the current national measure as suitable in terms of ensuring that credit institutions hold enough capital to withstand any potential disruptions in the CRE sector that could otherwise affect credit institutions’ financial position and the real economy in general. According to the Notification, the current national measure is proportionate and effective, as it targets the CRE exposures of credit institutions that apply the IRB approach where such exposures may create systemic risk. The FSA is of the view that the draft national measure maintains resilience without imposing an excessive burden, and that it is designed and calibrated to be sufficiently precise in targeting exposures to the CRE sector by credit institutions that apply the IRB approach. Furthermore, to ensure proportionality, the draft national measure exempts properties where more than 50 % of the surface is not used for producing rental income, agricultural properties, properties owned by the government or by housing associations, and multi-dwelling properties that have less than four dwellings. For the same reason, the FSA proposes a differentiation of the risk weight floor between exposures secured by commercial and residential properties, with a lower risk weight floor for exposures secured by residential properties which, according to the FSA, are less risky.

(10) The Commission has considered the suitability, effectiveness, and proportionality of the draft national measure. The Commission considers that the current national measure is proportionate, in so far as its design does not go beyond what is necessary to address the identified systemic risk. In terms of its effectiveness and suitability, the Commission considers that draft national measure is suitable and effective as it will address the risk and vulnerabilities stemming from the exposures to risks from the CRE sector of credit institutions that apply the IRB approach and will strengthen credit institutions' resilience to a potential economic downturn or disruptions in the real estate sector.

(11) Article 458(2), point (c), of Regulation (EU) No 575/2013 requires the national competent authority to justify why the macroprudential tools set out in Articles 124 and 164 of that Regulation and Articles 133 and 136 of Directive 2013/36/EU of the

European Parliament and of the Council[4] are less suitable and effective to deal with the macroprudential or systemic risk identified.

(12) Article 124 of Regulation (EU) No 575/2013 allows the competent authorities to set higher risk weights for exposures secured by mortgages on immovable property where the standardised approach is used for calculating the own funds requirements for credit risk. The relevant Swedish CRE exposures are to a small extent held by banks applying the standardised approach, whereas exposures that are risk-weighted according to the IRB approach constitute almost all of that market. Article 124 of the CRR would therefore not be effective in meeting the objectives of the measure as its scope would be severely limited. Under Article 164 of Regulation (EU) No 575/2013, competent authorities may set higher loss given default input floor for retail exposures secured by immovable property in their territory. Article 164, however, does not apply to corporate exposures of credit institutions that use the IRB approach.

(13) As regards the countercyclical capital buffer (CCyB) set out in Article 136 of Directive 2013/36/EU, the FSA considers that the CCyB is not an appropriate tool to address sectoral systemic risk, as it would apply to all exposures in Sweden and not only to Swedish CRE exposures. This would result in penalising also exposures which are not the source of the systemic risk. Thus, increasing the CCyB would not adequately address the identified risk in an effective and proportionate way.

(14) Article 133 of Directive 2013/36/EU allows Member States to introduce a systemic risk buffer (SyRB) which can be used to prevent and mitigate systemic or macroprudential risks not covered by either Regulation (EU) No 575/2013 or Articles 130 and 131 of Directive 2013/36/EU. Like the CCyB, a SyRB applied on all exposures of the credit institution or all its exposures in Sweden would have a disproportionate impact beyond the risk identified in the CRE sector. While the SyRB can also be targeted to a subset of exposures, to have the same impact as the draft national measure in absolute terms, the SyRB buffer rate would have to vary across credit institutions between 20 – 40 % for exposures secured by commercial real estate and between 10 – 25 % for residential real estate and also vary over time. According to the FSA, such a SyRB would be cumbersome to calibrate and monitor. Alternatively, a single SyRB rate applicable to all credit institutions applying the IRB approach would impact most heavily those credit institutions that have the highest risk weights, which is not desirable as the draft national measure intends to address risk in credit institutions with low risk weights. The ESRB is also of the view that a sectoral SyRB would not be efficient in preventing a further decline in risk weights, compared to the risk weight floor applied in the current national measure.

(15) After having examined the arguments and evidence put forward by the FSA, and having taken utmost account of the opinions of the ESRB and of the EBA, the Commission considers that the measures referred to in Articles 124 and 164 of Regulation (EU) No 575/2013, as well as the tools referred to in Articles 133 and 136 of Directive (EU) 2013/36, appear less suitable than the current national measure in addressing the identified specific systemic risk in a suitable, effective and

[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).

proportionate manner. That assessment is shared by the ESRB and is not challenged by the EBA.

(16) Article 458(2), point (f), of Regulation (EU) No 575/2013 requires that the national authority assesses the likely impact of a draft measure on the internal market. According to the FSA, the impact would be positive as sustained resilience of Swedish credit institutions would allow those credit institutions to continue lending to the real economy also in other Member States where those institutions are active, if the risks to the Swedish CRE sector were to materialise. The FSA also notes a limited impact on overall capital requirements of Swedish credit institutions that would be subject to the draft national measure, because that measure is an extension of a measure already in place. The FSA observes that the risk weights of credit institutions that are located in other Member States which have exposures to the Swedish CRE sector are generally above the risk weight floors proposed in the draft national measure.

(17) Neither the ESRB nor the EBA identify in their opinions a possibility of a negative impact on the internal market. The Commission concurs with that assessment and notes that reciprocity of the draft national measure by authorities in other Member States would, besides ensuring sufficient resilience of credit institutions in those Member States that have exposures to the Swedish CRE sector, also ensure a level playing field for credit institutions in the Union.

(18) The ESRB considers that the proposed measure will boost the resilience of IRB credit institutions in Sweden and thus mitigate the possible materialisation of systemic risk in the CRE market. At the same time, the ESRB invites the Swedish authorities to monitor potential interactions with other capital measures, including the output floor under Article 92 of Regulation (EU) 575/2013, to avoid unintended overlaps. The assessment whether the calibration of the risk weight floor remains appropriate should take a holistic perspective and should also consider the loss-absorption capacity created by the CCyB and SyRB at the time of the review. The EBA stresses that, given that the calibration is set so that the minimum level for the average risk weight floor covers potential future losses in Swedish residential mortgages in a severe downturn scenario with a high financial stress, it is important for the FSA to be mindful of any overlaps in different requirements, in particular the Pillar 2 Guidance which is also set based on the outcome of stress tests. The EBA also notes that, the measure is set to address issues related to banks’ repair of IRB models, which are still under review in Sweden, and stresses the need to avoid any overlaps with microprudential requirements related to the estimation of IRB models and Pillar 2 Requirement, which could be used to tackle similar risks. In its opinion the EBA also emphasises the introduction of relevant changes to the CRR which will affect the risk weights for IRB banks, particularly the output floor under Article 92 of Regulation (EU) 575/2013, which will become fully applicable by January 2033. The EBA therefore invites the Swedish FSA to undertake a comprehensive assessment of the appropriateness of the current measure considering the outcome of the internal model review and the impact of relevant changes to the CRR. The Commission concurs with the ESRB’s and the EBA’s views.

(19) The Commission, after having examined the arguments and evidence put forward by the FSA and after having taken utmost account of the opinions of the ESRB and the EBA, concludes, on the basis of its assessment, that there is no robust, strong and detailed evidence that the intended extension of the period of application of the current measure proposed by the FSA will 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.

(20) The Commission nevertheless stresses the importance of closely monitoring the evolution of systemic risks related to CRE sector and of the IRB risk weights contained in the current national measure, and points to the need for a periodic evaluation by the FSA of the necessity, effectiveness, suitability and proportionality of the draft national measure and its calibration,

HAS DECIDED AS FOLLOWS:

Sole Article

The Commission does not propose to the Council an implementing act to reject the draft national measure notified by Sweden on 30 April 2025 in accordance with Article 458(4) of Regulation (EU) No 575/2013, to be applicable from 30 September 2025 until 29 September 2027.

Done at Brussels, 24.6.2025

For the Commission
Maria Luís ALBUQUERQUE
Member of the Commission