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ESRB
European Systemic Risk Board
European System of Financial Supervision

Assessment team on macroprudential measures

Background note on the resetting of a measure taken in Austria pursuant to Article 133 of the Capital Requirements Directive and on the reciprocation of the same measure by other Member States[1]

Background note

Introduction

On 20 March 2026 the European Systemic Risk Board (ESRB) Secretariat received formal notification from the Austrian Financial Market Authority (FMA) of its intention to change the level of the existing sectoral systemic risk buffer (SyRB) pursuant to Article 133(9) of the Capital Requirements Directive (CRD).[2] A sectoral SyRB of 1% has been in place since 1 July 2025 for all exposures located in Austria to non-financial corporations in the construction and real estate sectors (CRE exposures) except civil engineering, aside from exposures to limited-profit housing associations. This sectoral SyRB has been applied on a consolidated, sub-consolidated and individual basis. The new rate will be 3.5% and will be phased in over time, with a rate of 2% applicable as of 1 July 2026 and 3.5% as of 1 July 2027. According to Article 133(11) of the CRD, the ESRB shall issue an opinion on whether the sectoral SyRB is deemed appropriate, as the combined SyRB rate of the 0.5%-1% broad-based SyRB and the increased sectoral SyRB is higher than 3%, and up to 5% for at least one of the institutions concerned.

In order to avoid leakages and regulatory arbitrage across jurisdictions, on 20 March 2026 and in line with Article 134(5) of the CRD, the Austrian FMA notified the ESRB of a request for reciprocation concerning the measure under Article 133 of the CRD. The measure applicable since June 2025 is currently recommended for reciprocation by the ESRB.[3] The FMA has now requested that the increased buffer be reciprocated in the same way as the current measure, ensuring that it applies on a consolidated, sub-consolidated and individual basis, irrespective of whether exposures are held through subsidiaries, branches or direct cross-border lending. The FMA is of the view that, without reciprocation, cross-border leakages and regulatory arbitrage could lead to an uneven playing field among institutions and reduce the measure’s effectiveness.

Furthermore, as the sum of the sectoral SyRB, the SyRB and the respective buffers for other systemically important institutions (O-SIIs) will result in a combined rate of above 5% for six banks, the ESRB is required

1 For the purposes of this note, the term “Member States” refers to the countries of the European Economic Area (EEA), including all EU Member States, unless the context indicates otherwise.

2 Directive No 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).

3 On 4 November 2025 the ESRB adopted Recommendation ESRB/2025/10 amending Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/2) (OJ C 97, 12.3.2016, p. 9).

to provide the European Commission with an opinion in accordance with Article 131(5a) and (15) of the CRD. Therefore, the ESRB opinion on the increased sectoral SyRB rate will also include an assessment of whether the combined O-SII buffer and sectoral SyRB rates are deemed appropriate.

The role of the assessment team is to assess the appropriateness of the increased sectoral SyRB rate and of the combined sectoral SyRB, SyRB and O-SII buffer rates, including a draft opinion on the results. In addition, it should assess the rationale for possible reciprocation, determine the common maximum materiality threshold and draft an ESRB recommendation setting out the grounds for the means and timing of the reciprocation. The current assessment draws extensively on quantitative and qualitative information provided by the Austrian FMA.

Description of the proposed measures

The Austrian FMA proposes to increase the current sectoral SyRB of 1% to 3.5%. The sectoral SyRB had been put in place on 1 July 2025 for all exposures located in Austria to non-financial corporations in the CRE sectors with the exception of civil engineering and limited-profit housing associations, applied on a consolidated, sub-consolidated and individual basis. The sectoral SyRB shall continue to be applied to all institutions authorised in Austria, and to two subsidiaries whose parents are established in other Member States (UniCredit Bank Austria AG and Santander Consumer Bank GmbH). The measure covers non-financial corporations, with the exception of limited-profit housing associations, and refers to CRE activity as defined by the Nomenclature of Economic Activities (NACE) codes F41 “Construction of buildings”, F43 “Specialised construction activities” and M68 “Real estate activities”. The new rate will be 3.5% and will be phased in, with a rate of 2% applicable as of 1 July 2026 and 3.5% as of 1 July 2027.

While a rate of 3.5% was already seen as appropriate by the FMA when initially setting the sectoral SyRB, it was decided to start with a rate of 1% due to uncertainty related to the risk weights under the Capital Requirements Regulation (CRR3).[4] CRR3 makes the capital requirements related to real estate exposures for banks using the standardised approach more risk sensitive by using a more granular approach to such exposures.[5] For example, different risk weights have to be applied depending on whether the loan-to-value (LTV) ratio is above or below 55%. This has led to a substantial increase in risk weights related to the CRE exposures of Austrian banks using the standardised approach, in particular for loans with high LTV ratios. This increase was difficult to foresee given the large number of relatively smaller financial institutions in Austria. Currently, risk weights for CRE exposures are 51% for banks using the internal rating-based approach and 79% for banks using the standardised approach.

Risks addressed through the proposed measure

Risks in the Austrian CRE market are high and already partially materialising, with a non-performing loan (NPL) ratio of 8.3% in December 2025.[6] A significant share of Austrian bank lending is concentrated in the CRE sector –

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4 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 (OJ L 176, 27.6.2013, p. 1).

5 Deutsche Bundesbank (2024), “**The EU banking package**”, *Monthly reports*, July.

6 See the Oesterreichische Nationalbank’s “**Gewerbeimmobilien-Dashboard**”.

the loan exposure of Austrian banks to this sector amounts to 43% of total loans to the corporate sector, with large differences across banks. According to the FMA, the Austrian banking system currently comprises 399 banks (excluding branches of EU institutions), of which about 30% have a share of CRE loans that accounts for more than 50% of their total loans to corporates, with the largest exposures reaching 70% alongside persistent valuation risks. The probability of default in the CRE sector was 2.55% in December 2025. CRE loans tend to be high risk, with many having an LTV ratio of above 80%, according to the FMA.

Oesterreichische Nationalbank (OeNB) stress tests and scenario analyses show NPL ratios similar to those in the US, Spanish and Irish real estate markets during the global financial crisis.[7] A similar crisis, particularly if combined with bank failures, would lead to a loss of confidence in the Austrian banking sector, especially in the context of high exposure concentration and asset commonality. The resulting loss under the stress test of EUR 13 billion is somewhat higher than that estimated in 2025 at the time the 1% sectoral SyRB was set (EUR 11.8 billion). The difference is driven by the more severe scenario, particularly the stronger decline in GDP and CRE prices.

Limited-profit housing associations are exposed to significantly lower risk than other CRE companies and are therefore excluded from the scope of the measure. These associations account for about 20% of overall loans to companies in the real estate sector and are considered less risky as they are legally required to only engage in low-risk projects and to hold conservative amounts of equity. As a result, none of these associations have ever defaulted.

The assessment team is of the view that there is no overlap between the sectoral SyRB, the existing O-SII buffer and the SyRB. The O-SII buffer, which remained unchanged in terms of level and scope in November 2025 compared to one year earlier, addresses risks stemming from banks' significance for the financial system as a whole. The implemented SyRB addresses risks related to public ownership of banks, concentration of exposures in central, eastern and south-eastern European countries and interconnectedness. The O-SII buffer and the SyRB address the long-term and structural risks of the financial sector as a whole. Meanwhile, the sectoral SyRB addresses elevated risks stemming specifically from the CRE sector.

Effectiveness and proportionality

The assessment team is of the view that the benefits of increasing the sectoral SyRB rate exceed the costs of implementing the change. The increase leads to additional capital of EUR 1.7 billion, increasing the total sectoral SyRB to EUR 2.3 billion. As the Austrian banking sector is still very profitable and has ample capital, only one small regional bank would need to raise capital to fulfil the increase in the sectoral SyRB. An increase of the general SyRB by 0.5 percentage points would have a similar effect in terms of total capital volume. However, such an increase would affect all banks rather than only targeting those with the largest CRE exposures.

Reciprocation

Exposure-based macroprudential measures can only be fully effective if the targeted risk is fully addressed, regardless of where the exposed credit institution is based. The risks of cross-border leakages, regulatory

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7 Oesterreichische Nationalbank (2024), ***Financial Stability Report 48***.

arbitrage and an uneven playing field among credit institutions can be mitigated through reciprocation of macroprudential measures by other jurisdictions. Given that the Austrian measure covers specific domestic risk exposures but not specific institutions, the case for reciprocation is clear.

The ESRB outlines two clear objectives in its reciprocity framework: maintaining a level playing field among European Economic Area lenders and ensuring their overall resilience.[8] The ESRB's reciprocity framework should ultimately ensure that the same macroprudential requirements apply to the same risk exposure in any given Member State, irrespective of the legal status and location of the financial service provider. If foreign lenders are not subject to the same macroprudential measures, or to macroprudential measures with an equivalent effect, they will have a competitive advantage in that they could increase their share of the market, in this case the Austrian CRE market, without being required to maintain the same level of capital as domestic lenders, despite being exposed to the same systemic risk. This could undermine the effectiveness of the macroprudential measures concerned and expose the foreign lenders' home Member States to greater risk. Furthermore, such foreign lenders would not be required to build up the appropriate level of resilience against these risks.

Reciprocation of the measures is also warranted to prevent regulatory arbitrage or leakages and to contribute to the effectiveness of the national measure in addressing financial stability risks targeted in the activating country, in this case Austria. According to the data provided by the Austrian FMA, two subsidiaries of foreign banking groups operate in the Austrian CRE loan market, accounting for approximately 10% of the Austrian CRE lending targeted by the measure, with the majority of this share provided by an Italian subsidiary. Foreign branches account for approximately 0.2% of the same market, while the corresponding figure for direct cross-border lending is about 2.5%. The vast majority of cross-border exposures through branches and direct exposures are from Germany, with smaller exposures from Liechtenstein and France. The FMA demonstrated that cross-border exposures in the sectors concerned, and especially with German institutions, were significant in comparison with the size of the Austrian market. Without reciprocity, it may be advantageous for banking groups to transfer credit exposures from subsidiaries to branches or to entities in the same group that are established in other Member States, or even to transform foreign subsidiaries into branches in the longer term. Therefore, reciprocation of the Austrian measure by other Member States would remove the potential for any such regulatory arbitrage.

In addition to exposures to macroprudential or systemic risk in another Member State through foreign branches and direct cross-border lending, exposures through subsidiaries are even more relevant for cross-border effects and reciprocation. This is because parent institutions may effectively be obliged to ensure adequate capitalisation of their subsidiaries or to absorb their losses. While the Austrian sectoral SyRB applies directly to the subsidiaries of foreign banking groups located in Austria, it should also be ensured that this requirement is reflected on a consolidated basis for banking groups as a whole. If the macroprudential requirements of a subsidiary's host country are not also applied on a consolidated basis by the home country of the parent institution, risks from exposures through a subsidiary may not be reflected in the loss-absorbing requirements for the banking group as a whole. Applying macroprudential capital requirements activated by authorities of other Member States to institutions also on a consolidated basis, irrespective of whether the exposures in question are held through subsidiaries, branches or direct

8 See Recitals 2-4 and 9 of Recommendation ESRB/2015/2.

cross-border lending, further limits leakages and regulatory arbitrage. It also promotes the overall effectiveness of macroprudential policy by ensuring that increased risks are addressed not only in the Member State that has introduced a national macroprudential measure but also in other Member States where banking groups are exposed to these increased risks. Furthermore, reciprocating the FMA measure on a consolidated, sub-consolidated and individual basis would support a level playing field, given that the measure is already applied at the same levels of consolidation to Austrian banks. Last, not applying the Austrian sectoral SyRB on a consolidated basis might undermine buffer usability in the event of an Austrian sectoral SyRB release because the group's capital requirements would not decrease with that release.

How to reciprocate

It is proposed that:

- **The relevant authorities reciprocate the measure for all exposures to non-financial corporations from the CRE sector (with exceptions for civil engineering and limited-profit housing associations) located in Austria.** Authorities may calculate the relevant exposures using NACE Rev. 2.1 codes F41, F43 (F = construction) and M68 (M = real estate activities), which include the exposures subject to the sectoral SyRB, and possibly some other exposures such as to limited-profit housing associations.[9] A sectoral SyRB rate of 2% should be applied to such exposures as of 1 July 2026, and a rate of 3.5% as of 1 July 2027, after any appropriate risk weighting.

- **The relevant authorities reciprocate the measure in a way that ensures that it applies on an individual, sub-consolidated and consolidated basis, including to exposures through subsidiaries.** This is to align with the levels applying to the Austrian institutions targeted by the sectoral SyRB. The possibility of reciprocating the measure on an individual, sub-consolidated and consolidated basis, including for exposures through subsidiaries, is provided for under Article 134 of the CRD, read in conjunction with Article 133(4).

- **The relevant authorities may exempt institutions with non-material exposures, in line with Section 2.2.1 of Recommendation ESRB/2015/2.** The institution-specific materiality threshold is specified below. If no institutions have material exposures to non-financial corporations from the CRE sector located in Austria, the relevant authorities may choose not to reciprocate the measure. They would then need to commit to monitoring the materiality of such exposures and to reciprocating the measure if the common maximum materiality threshold specified below is breached.

- **If a parent undertaking of an institution is established in another Member State and is subject to a macroprudential capital measure (e.g. a general SyRB) that may potentially encompass some or all of the targeted exposures in Austria, the reciprocating country should give due consideration to any possible double-counting of risks.** If the reciprocating country's national measure applies at the highest level of consolidation to the parent undertaking, reciprocating authorities should give due consideration to any overlap

[9] See Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains (OJ L 393, 30.12.2006, p. 1).

between that national measure and the reciprocated measure to avoid double-counting of risks and any negative effects on the functioning of the EU Internal Market.

Reciprocating authorities should notify the ESRB of any substantial changes in the reciprocation of the Austrian measure in accordance with sub-recommendation D of the framework in Recommendation ESRB/2015/2, particularly if the latest Austrian FMA request for reciprocity leads to a decision on reciprocation that differs from that previously notified to the ESRB. If the latest request does not change the decision on whether or not the measure is reciprocated, no further notification is required. Such notifications should be submitted within one month of the adoption of the reciprocating measure using the relevant template published on the ESRB website. The ESRB will publish the notifications on its website, thereby communicating national reciprocation decisions to the public. The information published will include any exemptions made by reciprocating Member States and their commitment to monitoring leakages and taking any action that may be necessary.

The ESRB will assess any decisions not to reciprocate the measure by weighing up the costs and benefits of the reciprocation process for that measure. The assessment team will deem any decision not to reciprocate the measure as being “sufficiently explained” if it concludes that the risk is already fully covered by an existing measure or that both of the following conditions have been met:

- the exposures of each of the Member State’s lenders are below the institution-specific common maximum materiality threshold;
- the relevant authority monitors the exposures of the credit institutions falling within its jurisdiction on an annual basis and will reciprocate the Austrian measure if the institution-specific common maximum materiality threshold is breached.

The relevant authorities are normally recommended to adopt reciprocating measures within three months of the publication of the ESRB recommendation concerned in the Official Journal of the European Union.[10] The reciprocation process for the Austrian sectoral SyRB should be straightforward and the standard three-month implementation period for reciprocating measures should apply.

The materiality threshold

When setting their materiality threshold, reciprocating authorities should consider all relevant exposures to the targeted macroprudential risk in Austria and assess whether these exposures can be considered non-material. The reciprocating Member State should consider that materiality threshold when applying any waivers, even though full reciprocity should be the starting point for any policy action. Reciprocating authorities may, as appropriate, apply the recommended threshold, set lower thresholds for their jurisdiction or reciprocate the measure without any materiality threshold.

[10] See sub-recommendation C(3) of Recommendation ESRB/2015/2.

The Austrian FMA proposes an institution-level maximum materiality threshold of €100 million to be applied when reciprocating the measure at the level of the institution for exposures to CRE companies included in NACE sectors F41, F43 and M68. This threshold is unchanged compared to the one for the reciprocation of the 1% sectoral SyRB currently in place and corresponds to about 0.1% of the relevant market, which is lower than the typical 1% usually used as a starting value. The reduced threshold is explained by the close interconnectedness of the Austrian and German markets, as well as the fact that Austrian exposures of German banks are widely distributed across banks. The threshold should be applicable on a consolidated, sub-consolidated and individual basis to all relevant exposures of non-financial corporations in the aforementioned NACE sectors, with the exception of limited-profit housing associations. Materiality should be assessed on a sub-consolidated and consolidated level by including exposures through both subsidiaries and branches, as well as direct cross-border exposures. While data for determining whether the relevant exposures exceed the materiality threshold are not directly available in harmonised EU-wide reporting templates (which include CRE-related exposures along with other exposures within the same NACE codes), authorities are encouraged to consider all exposures to Austrian companies classified in NACE codes F and M, available in harmonised financial reporting (FINREP) templates, as a first reference. If this is above the threshold for any institution, it is suggested to use alternative data sources and/or reach out to the institutions with exposures above the first reference value to decide whether the measure should be reciprocated. Leakages to the non-bank sector are estimated to be small, as 90% of CRE loans stem from the banking sector and bond markets play a relatively small role in financing in Austria.

Against this backdrop, it is worth reiterating that the ESRB only provides reciprocating Member States with soft guidance on their proposed materiality thresholds. Section 2.2.1 of the framework in Recommendation ESRB/2015/2 clarifies that the materiality threshold recommended by the ESRB is a maximum. Threshold calibration by reciprocating Member States should follow the best practices established by the ESRB. The ESRB Handbook on Operationalising Macroprudential Policy in the Banking Sector outlines three guiding principles for calibrating that threshold: (i) capturing activity that is relevant for financial stability in the activating Member State; (ii) minimising the potential for regulatory fragmentation; and (iii) avoiding high implementation costs for the reciprocating Member State if exposures are negligible. According to the ESRB Handbook, the proposed starting value in calibrating a materiality threshold should be based on past experience, and the choice of final materiality threshold should be well justified in accordance with the guiding principles.

Conclusion

The assessment team is of the view that the proposed increase in the sectoral SyRB is appropriate to address the identified risks. It does not entail disproportionate adverse effects on financial stability in Austria or the EU. The increase in the sectoral SyRB is not expected to form or create an obstacle to the proper functioning of the Internal Market. Its focus is Austrian CRE exposures of financial institutions and it does not address risks that could be covered by Articles 130 or 131 of the CRD. The combined O-SII buffer and SyRB and sectoral SyRB rates are also assessed to be appropriate.

The assessment team is also of the view that, owing to significant cross-border exposures of the Austrian CRE sector, reciprocation of the increased sectoral SyRB should be recommended. Reciprocation should cover the same exposures as the Austrian sectoral SyRB, and a materiality threshold of EUR 100 million should be used at all relevant levels of consolidation.

As part of the reciprocity framework, all specific measures recommended for reciprocation by the ESRB are listed in sub-recommendation C(1) of Recommendation ESRB/2015/2. Additional details – such as a description of the measure recommended for reciprocation, its modalities and the materiality threshold – are provided in the Annex to the Recommendation. In order to amend Recommendation ESRB/2015/2 to reflect the amendments to the sectoral SyRB in Austria, the ESRB has adopted an amending recommendation.

Recommendation ESRB/2026/X will be published in the Official Journal of the EU and translated into all official EU languages. The reciprocating authorities will then be able to refer to Recommendation ESRB/2015/2 as amended by Recommendation ESRB/2026/X when taking reciprocating action. The ESRB will also publish a consolidated version of Recommendation ESRB/2015/2, i.e. the original version of Recommendation ESRB/2015/2 with the amendments, including the changes implemented through Recommendation ESRB/2026/X.