

## I

(Resolutions, recommendations and opinions)

## RECOMMENDATIONS

## EUROPEAN SYSTEMIC RISK BOARD

## RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD

of 8 January 2018

**amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures**

**(ESRB/2018/1)**

(2018/C 41/01)

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 Board <sup>(1)</sup>, and in particular Article 3 and Articles 16 to 18 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 648/2012 <sup>(2)</sup>, and in particular Article 458(8) thereof,

Having regard to Decision ESRB/2011/1 of the European Systemic Risk Board of 20 January 2011 adopting the Rules of Procedure of the European Systemic Risk Board <sup>(3)</sup>, and in particular Articles 18 to 20 thereof,

Whereas:

- (1) Ensuring the effectiveness and consistency of macroprudential policy requires policymakers to give due consideration to the cross-border effects of macroprudential policy measures adopted by individual Member States and, when warranted, to adopt suitable reciprocal macroprudential policy measures to address them.
- (2) The framework on voluntary reciprocity for macroprudential policy measures set out in Recommendation ESRB/2015/2 of the European Systemic Risk Board <sup>(4)</sup> aims to ensure that all exposure-based macroprudential policy measures activated in one Member State are reciprocated in the other Member States.
- (3) Recommendation ESRB/2017/4 of the European Systemic Risk Board <sup>(5)</sup> allows the relevant activating authority to propose a maximum materiality threshold at the financial service provider level when requesting reciprocation. The permanent Assessment Team of the European Systemic Risk Board (ESRB), established under Decision ESRB/2015/4 of the European Systemic Risk Board <sup>(6)</sup>, may recommend a different threshold if deemed necessary.

<sup>(1)</sup> OJ L 331, 15.12.2010, p. 1.

<sup>(2)</sup> OJ L 176, 27.6.2013, p. 1.

<sup>(3)</sup> OJ C 58, 24.2.2011, p. 4.

<sup>(4)</sup> Recommendation ESRB/2015/2 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 (OJ C 97, 12.3.2016, p. 9).

<sup>(5)</sup> Recommendation ESRB/2017/4 of the European Systemic Risk Board of 20 October 2017 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (OJ C 431, 15.12.2017, p. 1).

<sup>(6)</sup> 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/2014/2 (OJ C 97, 12.3.2016, p. 28).

- (4) From 1 January 2018, credit institutions authorised in Finland and using the internal ratings-based (IRB) approach for calculating regulatory capital requirements are subject, pursuant to Article 458(2)(d)(vi) of Regulation (EU) No 575/2013, to a credit institution-specific floor of 15 % for the average risk-weight on residential mortgage loans secured by housing units in Finland, to be applied on a consolidated basis.
- (5) Following the notification to the ESRB, under Article 458(8) of Regulation (EU) No 575/2013, the General Board of the ESRB has decided to include this measure in the list of macroprudential policy measures which are recommended to be reciprocated under Recommendation ESRB/2015/2.
- (6) On 28 May 2017, the Belgian measure on mortgage loan exposures, enacted pursuant to Article 458(8) of Regulation (EU) No 575/2013, which was added to the list of macroprudential measures which are recommended to be reciprocated by Recommendation ESRB/2016/3 of the European Systemic Risk Board <sup>(1)</sup>, expired. On 21 November 2017, the Nationale Bank van België/Banque nationale de Belgique announced the intention to launch a new national macroprudential measure, targeting mortgage loan exposures, following the procedure set out in Article 458 of Regulation (EU) No 575/2013.
- (7) Therefore, Recommendation ESRB/2015/2 should be amended accordingly,

HAS ADOPTED THIS RECOMMENDATION:

#### AMENDMENTS

Recommendation ESRB/2015/2 is amended as follows:

1. Section 1, sub-recommendation C(1) is replaced by the following:

- ‘1. The relevant authorities are recommended to reciprocate the macroprudential policy measures adopted by other relevant authorities and recommended for reciprocation by the ESRB. It is recommended that the following measures, as further described in the Annex, be reciprocated:

Estonia:

- a 1-percent systemic risk buffer rate applied in accordance with Article 133 of Directive 2013/36/EU to the domestic exposures of all credit institutions authorised in Estonia;

Finland:

- a 15-percent floor for the average risk-weight on residential mortgage loans secured by a mortgage on housing units in Finland applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 to credit institutions, authorised in Finland, using the internal ratings-based (IRB) approach for calculating regulatory capital requirements.’;

2. the Annex is replaced by the Annex to this Recommendation.

Done at Frankfurt am Main, 8 January 2018.

Francesco MAZZAFERRO

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

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<sup>(1)</sup> Recommendation ESRB/2016/3 of the European Systemic Risk Board of 24 March 2016 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (OJ C 153, 29.4.2016, p. 1).

## ANNEX

## ANNEX

**Estonia****1-percent systemic risk buffer rate applied in accordance with Article 133 of Directive 2013/36/EU to the domestic exposures of all credit institutions authorised in Estonia**I. Description of the measure

1. The Estonian measure constitutes a 1-percent systemic risk buffer rate applied in accordance with Article 133 of Directive 2013/36/EU to the domestic exposures of all credit institutions authorised in Estonia.

II. Reciprocation

2. Where Member States have implemented Article 134 of Directive 2013/36/EU in national law, relevant authorities are recommended to reciprocate the Estonian measure for exposures located in Estonia of domestically authorised institutions in accordance with Article 134(1) of Directive 2013/36/EU. For the purposes of this paragraph, the deadline specified in sub-recommendation C(3) applies.
3. Where Member States have not implemented Article 134 of Directive 2013/36/EU in national law, relevant authorities are recommended to reciprocate the Estonian measure for exposures located in Estonia of domestically authorised institutions in accordance with sub-recommendation C(2). Relevant authorities are recommended to adopt the equivalent measure within six months.

**Finland****A credit institution-specific minimum level of 15 % for the average risk-weight on loans secured by a mortgage on housing units in Finland applicable to credit institutions using the internal ratings-based (IRB) approach (hereinafter "IRB credit institutions") under Article 458(2)(d)(vi) of Regulation (EU) No 575/2013.**I. Description of the measure

1. The Finnish measure, applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013, consists of a credit institution-specific average risk-weight floor of 15 % for IRB credit institutions, at the portfolio level, for residential mortgage loans secured by housing units in Finland.
2. The measure is complemented by a materiality threshold of EUR 1 billion exposure to the residential mortgage lending market in Finland to steer the potential application of the *de minimis* principle by the reciprocating Member States.

II. Reciprocation

3. In accordance with Article 458(5) of Regulation (EU) No 575/2013, relevant authorities of the Member States concerned are recommended to reciprocate the Finnish measure and apply it to IRB credit institutions' portfolios of retail mortgage loans secured by housing units in Finland issued by domestically authorised branches located in Finland. For the purposes of this paragraph, the deadline specified in sub-recommendation C(3) applies.
4. Relevant authorities are also recommended to reciprocate the Finnish measure and apply it to IRB credit institutions' portfolios of retail mortgage loans secured by housing units in Finland issued directly across borders by credit institutions established in their respective jurisdictions. For the purposes of this paragraph, the deadline specified in sub-recommendation C(3) applies.
5. In accordance with sub-recommendation C(2), the relevant authorities are recommended to apply, following consultation with the ESRB, a macroprudential policy measure available in their jurisdiction that has the effect most equivalent to the above reciprocation, including adopting supervisory measures and powers laid down in Title VII, Chapter 2, Section IV of Directive 2013/36/EU. The relevant authorities are recommended to adopt the equivalent measure within four months.

6. Where there are no IRB credit institutions authorised in other Member States concerned with branches located in Finland or providing financial services directly in Finland, that have exposures of EUR 1 billion or above to the Finnish mortgage market, relevant authorities of the Member States concerned may decide not to reciprocate as provided by Section 2.2.1 of Recommendation ESRB/2015/2. In this case the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate when an IRB credit institution exceeds the threshold of EUR 1 billion.

### III. Materiality threshold

7. In line with Section 2.2.1 of Recommendation ESRB/2015/2, relevant authorities of the Member State concerned may exempt individual IRB credit institutions with non-material portfolios of retail mortgage loans secured by housing units in Finland below the materiality threshold of EUR 1 billion. In this case the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate when an IRB credit institution exceeds the threshold of EUR 1 billion.
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