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Copy to: Mr Pentti Hakkarainen, Chairman of the FIN-FSA Board,
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ESRB/2016/0385

Francesco Mazzaferro

Confidential transmission of ESRB Warning on medium-term vulnerabilities in the residential real estate sector of Finland

Dear Mr Orpo,

I am addressing this letter to you on behalf of the General Board of the European Systemic Risk Board (ESRB). In order to contribute to the prevention or mitigation of systemic risks to financial stability in the European Union, the ESRB shall issue warnings or, where it deems it appropriate to suggest specific remedial action, recommendations, when significant risks are identified.

The ESRB has recently concluded a systematic and forward-looking Union-wide assessment of vulnerabilities relating to residential real estate. In this context, the ESRB has identified in eight countries certain medium-term vulnerabilities as a source of systemic risk to financial stability, which may have the potential for serious negative consequences for the real economy. Consequently, the ESRB has decided on 22 September 2016 to issue warnings to eight Member States of the European Union including Finland and intends to make them public pursuant to the modalities foreseen in Regulation (EU) No 1092/2010.

With regard to Finland, from a macroprudential perspective, the ESRB considers the main vulnerabilities to be the high and increasing household indebtedness, especially among some groups of households. In addition, if risks were to materialise, there could be potential spill-over effects to other countries in the Nordic-Baltic region.

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Further details can be found in the attached warning and the supporting ESRB vulnerability assessment, which reflects developments up to mid-September 2016.

I trust that the authorities in Finland will remain vigilant to the identified risks. I am at your disposal to discuss any questions you may have related to this warning.

Yours sincerely,


Francesco Mazzaferro

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

Encl. Warning of the European Systemic Risk Board of 22 September 2016 on medium-term vulnerabilities in the residential real estate sector of Finland (ESRB/2016/08); ESRB residential real estate vulnerability assessment for Finland