

RE: Warning of the European Systemic Risk Board on medium-term vulnerabilities in the residential estate sector in France (ESRB/2019/12)

Dear Mr Mazzaferro,

After due notification to the Ministry of Finance, the General Board of the ESRB decided to issue a warning regarding the risks stemming from the residential real-estate sector in France. As the chairman of the High Council for Financial Stability (HCSF), the French macroprudential authority, I welcome your analysis, and I support the work done by the ESRB to safeguard financial stability in Europe.

In the last months, the High Council showed its ability and willingness to preserve financial stability by increasing twice the countercyclical buffer and limiting the exposure of systemic banks to highly indebted large corporates. It therefore demonstrated its sensitiveness to the risks related to the positive momentum of the financial cycle and non-financial private agent's indebtedness.

The aforementioned ESRB warning is based on a thorough analysis of the residential real-estate sector in France and a careful identification of the most prominent risks. We overall agree with the focus of the ESRB on households' high indebtedness level, significant housing credit growth rates and some loosening of lending standards.

France has a long tradition and strong expertise in monitoring the risks related to residential real estate. The HCSF has already signaled its strong vigilance to stakeholders of the real-estate sector. The HCSF decided during its last meeting to publish a detailed risk analysis on real-estate, taking into account French specificities, and to open a public consultation on the subject starting early October this year.

The ESRB invites the French authorities to consider the need for additional pre-emptive actions such as explicit guidelines for lending standards. In the coming months and after diligent consultations, the HCSF will examine all possible actions in its area of competence to contain these risks if it considers that they may ultimately affect financial stability in France.

Yours sincerely,



Bruno LE MAIRE

Mr Francesco MAZZAFERRO
Sonnemannstrasse 20
D – 60640 Frankfurt am Main
Germany