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(Resolutions, recommendations and opinions)

## RECOMMENDATIONS

## EUROPEAN SYSTEMIC RISK BOARD

## RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD

of 16 July 2018

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

(ESRB/2018/5)

(2018/C 338/01)

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) In order to ensure effective and consistent national macroprudential policy measures, it is important to complement the mandatory reciprocity required under Union law with voluntary reciprocity.
- (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> recommends the relevant activating authority to propose a maximum materiality threshold when submitting a request for reciprocity to the European Systemic Risk Board (ESRB), below which an individual financial service provider's exposure to the identified macroprudential risk in the jurisdiction where the macroprudential policy measure is applied by the activating

<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).

authority can be considered non-material. The ESRB's permanent Assessment Team, established under Decision ESRB/2015/4 of the European Systemic Risk Board <sup>(1)</sup>, may recommend a different threshold if deemed necessary.

- (4) From 30 April 2018, credit institutions authorised in Belgium and using the Internal Ratings Based Approach for calculating regulatory capital requirements are subject, pursuant to Article 458(2)(d)(vi) of Regulation (EU) No 575/2013, to a risk-weight add-on for retail exposures secured by residential immovable property located in Belgium, composed of: (a) a flat risk-weight add-on of 5 percentage points; and (b) a proportionate risk-weight add-on consisting of a fraction (33 per cent) of the exposure-weighted average of the risk-weights.
- (5) Following the request by Belgium to the ESRB under Article 458(8) of Regulation (EU) No 575/2013, and in order to prevent the materialisation of negative cross-border effects in the form of leakages and regulatory arbitrage that could result from the implementation of the macroprudential policy measure applied in Belgium in accordance with Article 458(2)(d)(vi) 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) Therefore, Recommendation ESRB/2015/2 should be amended accordingly,

HAS ADOPTED THIS RECOMMENDATION:

#### AMENDMENTS

Recommendation ESRB/2015/2 is amended as follows:

1. in 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-per cent 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-per cent 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;

Belgium:

- a risk-weight add-on for retail exposures secured by residential immovable property located in Belgium, applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 to credit institutions authorised in Belgium, using the IRB Approach for calculating regulatory capital requirements and composed of:

- (a) a flat risk-weight add-on of 5 percentage points; and
- (b) a proportionate risk-weight add-on consisting of 33 per cent of the exposure-weighted average of the risk-weights applied to the portfolio of retail exposures secured by residential immovable property located in Belgium.;

<sup>(1)</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).

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

Done at Frankfurt am Main, 16 July 2018.

Francesco MAZZAFERRO  
*Head of the ESRB Secretariat*  
*on behalf of the General Board of the ESRB*

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## ANNEX

Annex

**Estonia****1 per cent 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 per cent 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 per cent for IRB credit institutions, at the portfolio level, for residential mortgage loans secured by housing units in Finland.

II. Reciprocation

2. 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.
3. 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.
4. 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 measure recommended for 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.

III. Materiality threshold

5. 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.

6. 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.
7. 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.

## Belgium

**A risk-weight add-on for retail exposures secured by residential immovable property located in Belgium, imposed on credit institutions authorised in Belgium using the IRB Approach and applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013. The add-on is composed of two components:**

- (a) **a flat risk-weight add-on of 5 percentage points; and**
- (b) **a proportionate risk-weight add-on consisting of 33 per cent of the exposure-weighted average of the risk-weights applied to the portfolio of retail exposures secured by residential immovable property located in Belgium.**

### I. Description of the measure

1. The Belgian measure, applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 and imposed on credit institutions authorised in Belgium using the IRB Approach, consists of a risk-weight add-on for retail exposures secured by residential immovable property located in Belgium, which is composed of two components:
  - (a) The first component consists of a 5 percentage point increase to the risk-weight for retail exposures secured by residential immovable property located in Belgium obtained after computing the second part of the risk-weight add-on in accordance with point (b).
  - (b) The second component consists of a risk-weight increase of 33 per cent of the exposure-weighted average of the risk-weights applied to the portfolio of retail exposures secured by residential immovable property located in Belgium. The exposure-weighted average is the average of the risk-weights of the individual loans calculated in accordance with Article 154 of Regulation (EU) No 575/2013, weighted by the relevant exposure value.

### II. Reciprocation

2. In accordance with Article 458(5) of Regulation (EU) No 575/2013, relevant authorities of the Member States concerned are recommended to reciprocate the Belgian measure by applying it to branches located in Belgium of domestically authorised credit institutions using the IRB Approach within the deadline specified in sub-recommendation C(3).
3. Relevant authorities are recommended to reciprocate the Belgian measure by applying it to domestically authorised credit institutions using the IRB Approach that have direct retail exposures secured by residential immovable property located in Belgium. In accordance with sub-recommendation C(2), the relevant authorities are recommended to apply the same measure as the one that has been implemented in Belgium by the activating authority within the deadline specified in sub-recommendation C(3).
4. If the same macroprudential policy measure is not available in their jurisdiction, the relevant authorities are recommended to apply, following consultation with the ESRB, a macroprudential policy measure available in their jurisdiction that has the most equivalent effect to the above measure recommended for reciprocation, including adopting supervisory measures and powers laid down in Title VII, Chapter 2, Section IV of Directive 2013/36/EU. Relevant authorities are recommended to adopt the equivalent measure by no later than four months following the publication of this Recommendation in the *Official Journal of the European Union*.

### III. Materiality threshold

5. The measure is complemented by an institution-specific materiality threshold of EUR 2 billion to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure.
  6. In line with Section 2.2.1 of Recommendation ESRB/2015/2, relevant authorities of the Member State concerned may exempt individual domestically authorised credit institutions using the IRB Approach having non-material retail exposures secured by residential immovable property in Belgium which are below the materiality threshold of EUR 2 billion. When applying the materiality threshold, the relevant authorities should monitor the materiality of exposures and are recommended to apply the Belgian measure to previously exempted individual domestically authorised credit institutions when the materiality threshold of EUR 2 billion is breached.
  7. Where there are no credit institutions authorised in the Member States concerned with branches located in Belgium or which have direct retail exposures secured by residential immovable property in Belgium, which use the IRB Approach and which have exposures of EUR 2 billion or above to the Belgian residential immovable property market, relevant authorities of the Member States concerned may, pursuant to Section 2.2.1 of Recommendation ESRB/2015/2, decide not to reciprocate the Belgian measure. In this case the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate the Belgian measure when a credit institution using the IRB Approach exceeds the threshold of EUR 2 billion.
  8. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the materiality threshold of EUR 2 billion is a recommended maximum threshold level. Reciprocating relevant authorities may therefore instead of applying the recommended threshold set a lower threshold for their jurisdictions where appropriate, or reciprocate the measure without any materiality threshold.'
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