Recommendation of the European Systemic Risk Board of 8 December 2023 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures

(ESRB/2023/13)

Recommendation 2023/13 of the European Systemic Risk Board (ESRB) was published in the Official Journal of the European Union on 6 May 2024 and amends Recommendation ESRB/2015/2 as a consequence of the macroprudential policy measures adopted by *Banco de Portugal* and the Danish Ministry of Industry, Business and Financial Affairs. Recommendation ESRB/2023/13 invites the relevant authorities of the Member States to reciprocate the macroprudential policy measures adopted in Portugal and Denmark, on the basis of certain pre-defined materiality thresholds.

The measure introduced by Portugal consists of a 4 % sectoral systemic risk buffer rate on all IRB retail exposures to natural persons secured by residential immovable property for which the collateral is located in Portugal. In addition, the measure is complemented by an institution-specific materiality threshold of EUR 1 billion.

The measure introduced by Denmark consists of a 7 % sectoral systemic risk buffer rate on all types of exposures located in Denmark to non-financial corporations operating in real estate activities and in the development of building projects identified in accordance with the statistical classification of economic activities in the Union, set out in Regulation (EC) No 1893/2006. In addition, the measure is complemented by an institution-specific materiality threshold of EUR 200 million.

Owing to the materiality of credit exposure amounts of Spanish institutions to Portugal –which place them above the threshold set by the ESRB–, on 13 May 2024 the Executive Commission of the Banco de España resolved to reciprocate the measure adopted in Portugal.

Owing to the limited materiality of credit exposure amounts of Spanish institutions to Denmark –which place them below the thresholds set by the ESRB–, on 15 February 2024 the Executive Commission of the Banco de España resolved not to reciprocate the measure adopted in Denmark.

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RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD

of 8 December 2023

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

(ESRB/2023/13)

(C/2024/3114)

THE GENERAL BOARD OF THE EUROPEAN SYSTEMIC RISK BOARD,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Agreement on the European Economic Area [1], in particular Annex IX thereof,

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 [2], and in particular Articles 3 and 16 to 18 thereof,

Having regard to Directive 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, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC [3], and in particular Section I of Chapter 4 of Title VII 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 [4], and in particular Articles 18 to 20 thereof,

Whereas:

(1) To ensure the effectiveness and consistent application of national macroprudential policy measures, it is important to complement the recognition 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 [5] aims to ensure that all exposure-based macroprudential policy measures activated in one Member State are reciprocated in other Member States.

(3) Recommendation ESRB/2017/4 of the European Systemic Risk Board [6] recommends the relevant activating authority to propose a maximum materiality threshold when submitting a request for reciprocation 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 authority can be considered non-material. The ESRB may recommend a different threshold if deemed necessary.

(4) On 4 October 2023, Banco de Portugal, acting as the designated authority for the purpose of Article 133 of Directive 2013/36/EU, notified the ESRB of its intention to set a 4 % sectoral systemic risk buffer (sSyRB) rate under Article 133(9) of that Directive to prevent and mitigate macroprudential or systemic risks stemming from internal ratings-based (IRB) retail exposures to natural persons secured by residential immovable property for which the

[1] OJ L 1, 3.1.1994, p. 3.
[2] OJ L 331, 15.12.2010, p. 1.
[3] OJ L 176, 27.6.2013, p. 338.
[4] OJ C 58, 24.2.2011, p. 4.
[5] 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).
[6] 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).

collateral is located in Portugal. The intended sSyRB rate will apply to domestic credit institutions, of which some are subsidiaries of entities established in another EU Member State. On 13 November, the ESRB issued Recommendation ESRB/2023/11 of the European Systemic Risk Board [7] where it stated that it considers the measure justified, suitable, proportionate, effective and efficient to address the risks it is to target.

(5) The sSyRB rate is expected to apply from 1 October 2024 and to remain in place for up to two years or until the targeted risks materialise or disappear.

(6) On 4 October 2023, Banco de Portugal also submitted a request to the ESRB to recommend the reciprocation of the aforementioned macroprudential policy measure pursuant to Article 134(5) of Directive 2013/36/EU. Following the request for the reciprocation of the measure by other Member States, 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 that will become applicable in Portugal, the General Board of the ESRB has decided to include this measure in the list of macroprudential policy measures that are recommended to be reciprocated under Recommendation ESRB/2015/2. The General Board of the ESRB has also decided to recommend a maximum institution-specific materiality threshold of EUR 1 billion to steer the application of the *de minimis* principle by the reciprocating Member State.

(7) On 10 October 2023, the Danish Ministry of Industry, Business and Financial Affairs, acting as the designated authority for the purpose of Article 133 of Directive 2013/36/EU, notified the ESRB of its intention to set a 7 % sSyRB rate, in accordance with Article 133(9) of that Directive. The measure will apply to all domestic credit institutions. It will apply to all types of exposures located in Denmark to non-financial corporations operating in real estate activities and in the development of building projects identified in accordance with the statistical classification of economic activities in the Union (NACE) set out in Regulation (EC) No 1893/2006 of the European Parliament and of the Council [8].

(8) On 16 November 2023, the ESRB issued Opinion ESRB/2023/12 of the European Systemic Risk Board [9] where it stated that it considers the measure justified, suitable, proportionate, effective and efficient to address the risks it is to target.

(9) The sSyRB rate is expected to apply from 30 June 2024. The measure will be reviewed by the designated authority for the purpose of Article 133 of Directive 2013/36/EU at the latest two years after the initial application.

(10) On 10 October 2023, the Danish Ministry of Industry, Business and Financial Affairs also submitted a request to the ESRB to recommend the reciprocation of the aforementioned macroprudential policy measure pursuant to Article 134(5) of Directive 2013/36/EU. Following the request for the reciprocation of the measure by other Member States, 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 that will become applicable in Denmark, the General Board of the ESRB has decided to include this measure in the list of macroprudential policy measures that are recommended to be reciprocated under Recommendation ESRB/2015/2. The General Board of the ESRB has also decided to recommend a maximum institution-specific materiality threshold of EUR 200 million to steer the application of the *de minimis* principle by the reciprocating Member State.

(11) Therefore, Recommendation ESRB/2015/2 should be amended accordingly,

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([7]) Recommendation ESRB/2023/11 of the European Systemic Risk Board of 13 November 2023 regarding the Portuguese notification of its intention to set a sectoral systemic risk buffer rate in accordance with Article 133 of Directive 2013/36/EU (not yet published in the Official Journal).

([8]) 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).

([9]) Opinion ESRB/2023/12 of the European Systemic Risk Board of 16 November 2023 regarding the Danish notification of the setting or resetting of a systemic risk buffer rate pursuant to Article 133 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions (not yet published in the Official Journal).

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. It is recommended that the relevant authorities 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:

Belgium:

— a 9 % systemic risk buffer rate on all IRB retail exposures to natural persons secured by residential immovable property for which the collateral is located in Belgium, applicable until 31 March 2024;

— a 6 % systemic risk buffer rate on all IRB retail exposures to natural persons secured by residential immovable property for which the collateral is located in Belgium, applicable from 1 April 2024;

Germany:

— a 2 % systemic risk buffer rate on (i) all IRB exposures secured by residential immovable property located in Germany, and (ii) all SA-based exposures fully and completely secured by residential immovable property, as referred to in Article 125(2) of Regulation (EU) No 575/2013 of the European Parliament and of the Council (*), which is located in Germany;

Lithuania

— a 2 % systemic risk buffer rate on all retail exposures to natural persons resident in the Republic of Lithuania that are secured by residential property.

Luxembourg:

— legally binding loan-to-value (LTV) limits for new mortgage loans on residential real estate located in Luxembourg, with different LTV limits applicable to different categories of borrowers:

(a) LTV limit of 100 % for first-time buyers acquiring their primary residence;

(b) LTV limit of 90 % for other buyers i.e. non first-time buyers acquiring their primary residence. This limit is implemented in a proportional way via a portfolio allowance. Specifically, lenders may issue 15 % of the portfolio of new mortgages granted to these borrowers with an LTV above 90 % but below the maximum LTV of 100 %;

(c) LTV limit of 80 % for other mortgage loans (including the buy-to-let segment).

Netherlands:

— a minimum average risk weight applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 to credit institutions authorised in the Netherlands, using the IRB approach for calculating regulatory capital requirements in relation to their portfolios of exposures to natural persons secured by residential property located in the Netherlands. For each individual exposure item that falls within the scope of the measure, a 12 % risk weight is assigned to the portion of the loan not exceeding 55 % of the market value of the property that serves to secure the loan, and a 45 % risk weight is assigned to the remaining portion of the loan. The minimum average risk weight of the portfolio is the exposure-weighted average of the risk weights of the individual loans.

Norway:

— a 4,5 % systemic risk buffer rate applicable to all exposures located in Norway, applied pursuant to Article 133 of Directive 2013/36/EU of the European Parliament and of the Council (**), as applicable to Norway as of 31 December 2022 pursuant to the terms of the Agreement on the European Economic Area (***) (EEA Agreement) (hereinafter the “CRD as applicable to and in Norway as of 31 December 2022”), to all credit institutions authorised in Norway;

— a 20 % floor for (exposure-weighted) average risk weights for exposures to residential real estate located in Norway, applied pursuant to Article 458(2)(d)(iv) of Regulation (EU) No 575/2013, as applicable to Norway as of 31 December 2022 pursuant to the terms of the EEA Agreement (hereinafter the “CRR as applicable to and in Norway as of 31 December 2022”), to credit institutions, authorised in Norway, using the IRB approach for calculating regulatory capital requirements;

— a 35 % floor for (exposure-weighted) average risks weights of commercial real estate exposures located in Norway, applied pursuant to Article 458(2)(d)(iv) of the CRR as applicable to Norway as of 31 December 2022 to credit institutions authorised in Norway, using the IRB approach for calculating regulatory capital requirements.

Sweden:

— a credit institution-specific floor of 25 % for the exposure-weighted average of the risk weights applied to the portfolio of retail exposures to obligors residing in Sweden secured by immovable property applied in accordance with Article 458(2)(d)(iv) of Regulation (EU) No 575/2013 to credit institutions authorised in Sweden using the IRB approach for calculating regulatory capital requirements;

— a credit institution-specific minimum level (floor) of 35 % for the exposure-weighted average of the risk weights applied to the portfolio of corporate exposures secured by mortgages on immovable commercial properties (properties physically located in Sweden owned for commercial purposes to generate rental income) and a credit institution-specific minimum level (floor) of 25 % for the exposure-weighted average of the risk weights applied to the portfolio of corporate exposures secured by mortgages on immovable residential properties (apartment buildings physically located in Sweden owned for commercial purpose to generate rental income, where the number of residences in the property exceeds three) applied in accordance with Article 458(2)(d)(iv) of Regulation (EU) No 575/2013 to credit institutions authorised in Sweden using the IRB approach for calculating regulatory capital requirements.

Portugal:

— a 4 % sectoral systemic risk buffer rate on all IRB retail exposures to natural persons secured by residential immovable property for which the collateral is located in Portugal.

Denmark:

— a 7 % sectoral systemic risk buffer rate on all types of exposures located in Denmark to non-financial corporations operating in real estate activities and in the development of building projects identified in accordance with the statistical classification of economic activities in the Union (NACE), set out in Regulation (EC) No 1893/2006.

(*) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

(**) Directive 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, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

(***) OJ L 1, 3.1.1994, p. 3.’.

(2) The Annex is replaced by the Annex to this Recommendation.

Done at Frankfurt am Main, 8 December 2023.

The Head of the ESRB Secretariat,
on behalf of the General Board of the ESRB
Francesco MAZZAFERRO

ANNEX

'ANNEX

Belgium

<u>A systemic risk buffer on all IRB retail exposures secured by residential immovable property for which the collateral is located in Belgium.</u>

I. <u>Description of the measure</u>

1. Until 31 March 2024, the Belgian measure, applied in accordance with Article 133 of Directive 2013/36/EU, imposes a 9 % systemic risk buffer rate on IRB retail exposures to natural persons secured by residential immovable property for which the collateral is located in Belgium (both non-defaulted and defaulted exposures).

2. From 1 April 2024, the Belgian measure, applied in accordance with Article 133 of Directive 2013/36/EU, imposes a 6 % systemic risk buffer rate on IRB retail exposures to natural persons secured by residential immovable property for which the collateral is located in Belgium (both non-defaulted and defaulted exposures).

II. <u>Reciprocation</u>

3. Relevant authorities are recommended to reciprocate the Belgian measure by applying it to IRB retail exposures to natural persons secured by residential immovable property for which the collateral is located in Belgium (as both non-defaulted and defaulted exposures). Alternatively, the measure can be reciprocated using the following scope in COREP reporting: IRB retail exposures secured by residential immovable property vis-à-vis individuals located in Belgium (as both non-defaulted and defaulted exposures).

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 no later than four months following the publication of this Recommendation in the *Official Journal of the European Union*.

III. <u>Materiality Threshold</u>

5. The measure is complemented by an institution-specific materiality threshold to steer the potential application of the de minimis principle by the relevant authorities reciprocating the measure. Institutions may be exempted from the systemic risk buffer requirement as long as their relevant sectoral exposures do not exceed EUR 2 billion. Therefore, reciprocation is only requested when the institution-specific threshold is exceeded.

6. 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.

Germany

<u>A 2 % systemic risk buffer rate on (i) all IRB exposures secured by residential immovable property located in Germany, and (ii) all SA-based exposures fully and completely secured by residential immovable property, as referred to in Article 125(2) of Regulation (EU) No 575/2013, which is located in Germany</u>

I. <u>Description of the measure</u>

1. The German measure, applied in accordance with Article 133 of Directive 2013/36/EU, imposes a 2 % systemic risk buffer rate on all exposures (i.e. retail and non-retail exposures) to natural and legal persons that are secured by residential real estate located in Germany. The measure shall apply to (i) credit institutions authorised in Germany and using the IRB approach for calculating their risk-weighted exposure amounts for exposures secured by residential immovable property located in Germany, and (ii) credit institutions authorised in Germany and using the SA for calculating their risk-weighted exposure amounts for exposures fully and completely secured by residential immovable property, as referred to in Article 125(2) of Regulation (EU) No 575/2013, which is located in Germany.

II. Reciprocation

2. Relevant authorities are recommended to reciprocate the German measure by applying it to domestically authorised credit institutions.

3. 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.

4. Relevant authorities are recommended to ensure that the reciprocating measure applies and is complied with from 1 February 2023.

III. Materiality threshold

5. The measure is complemented by an institution-specific materiality threshold to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure Credit institutions may be exempted from the systemic risk buffer requirement if their relevant sectoral exposures do not exceed EUR 10 billion. Therefore, reciprocation is only requested when the institution-specific threshold is exceeded.

6. Relevant authorities should monitor the materiality of exposures. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the materiality threshold of EUR 10 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.

Lithuania

A 2 % systemic risk buffer rate for all retail exposures to natural persons resident in the Republic of Lithuania that are secured by residential property.

I. Description of the measure

1. The Lithuanian measure, applied in accordance with Article 133 of Directive 2013/36/EU imposes a 2 % systemic risk buffer rate for all retail exposures to natural persons in Lithuania that are secured by residential property.

II. Reciprocation

2. Relevant authorities are recommended to reciprocate the Lithuanian measure by applying it to branches located in Lithuania of domestically authorised banks and direct cross-border exposures to natural persons in Lithuania that are secured by residential property. A significant share of total mortgage positions is held by foreign bank branches operating in Lithuania, therefore, reciprocity of the measure by other Member States would help foster a level playing field and ensure that all significant market participants take into account the increased residential real estate risk in Lithuania and increase their resilience.

3. 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

4. The measure is complemented by an institution-specific materiality threshold to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure. Institutions may be exempted from the systemic risk buffer requirement if their relevant sectoral exposures do not exceed EUR 50 million, which is approximately 0,5 % of the relevant exposures of the total credit institution sector in Lithuania. Therefore, reciprocation is only requested when the institution-specific threshold is exceeded.

5. Justification for such a threshold:

   a. The minimisation of the potential for regulatory fragmentation is necessary, as the same materiality threshold will also apply to credit institutions authorised in Lithuania;

   b. The application of such a materiality threshold would help to ensure a level playing field in the sense that institutions with exposures of similar size are subject to the systemic risk buffer requirement;

   c. The threshold is relevant for financial stability, as the further development of the residential real estate risk will mainly depend on housing market activity, which partly depends on the amount of new loans issued for house purchase. Therefore, the measure should apply to market participants who are active in this market even though their mortgage loan portfolios are not as large as those of the largest loan providers.

6. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the materiality threshold of EUR 50 million 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.

Luxembourg

Legally binding loan-to-value (LTV) limits for new mortgage loans on residential real estate located in Luxembourg, with different LTV limits applicable to different categories of borrowers:

(a) **LTV limit of 100 % for first-time buyers acquiring their primary residence;**

(b) **LTV limit of 90 % for other buyers i.e. non first-time buyers acquiring their primary residence. This limit is implemented in a proportional way via a portfolio allowance. Specifically, lenders may issue 15 % of the portfolio of new mortgages granted to these borrowers with an LTV above 90 % but below the maximum LTV of 100 %;**

(c) **LTV limit of 80 % for other mortgage loans (including the buy-to-let segment).**

I. Description of the measure

1. The Luxembourg authorities activated legally binding LTV limits for new mortgage loans on residential immovable property located in Luxembourg. Following the Recommendation of the Comité du Risque Systémique (Systemic Risk Committee) [1], the Commission de Surveillance du Secteur Financier (Financial Sector Supervisory Commission) [2] acting in concert with the Banque centrale du Luxembourg has activated LTV limits that differ across three categories of borrowers. The LTV limits for each of the three categories are as follows:

   (a) LTV limit of 100 % for first-time buyers acquiring their primary residence;

   (b) LTV limit of 90 % for other buyers i.e. non first-time buyers acquiring their primary residence. This limit is implemented in a proportional way via a portfolio allowance. Specifically, lenders may issue 15 % of the portfolio of new mortgages granted to these borrowers with an LTV above 90 % but below the maximum LTV of 100 %;

   (c) LTV limit of 80 % for other mortgage loans (including the buy-to-let segment).

[1] Recommandation du comité du risque systémique du 9 novembre 2020 relative aux crédits portant sur des biens immobiliers à usage résidentiel situés sur le territoire du Luxembourg (CRS/2020/005).

[2] CSSF Régulation N.20-08 du 3 décembre 2020 fixant des conditions pour l'octroi de crédits relatifs à des biens immobiliers à usage résidentiel situés sur le territoire du Luxembourg.

2. LTV is the ratio between the sum of all loans or tranches of loans backed by the borrower with residential property at the time when the loan is granted and the value of the property at the same time.

3. The LTV limits apply independently from the type of ownership (e.g. full ownership, usufruct, bare ownership).

4. The measure applies to any private borrower taking out a mortgage loan to purchase residential real estate in Luxembourg for non-commercial purposes. The measure also applies if the borrower uses a legal structure like a real estate investment company to complete this transaction, and in the case of joint applications. “Residential real estate” includes construction land, whether the construction work takes place immediately after the purchase or years after. The measure also applies if a loan is granted to a borrower for purchasing a property with a long-term lease agreement. The real estate property may be for owner occupation or buy to let.

II. Reciprocation

5. Member States whose credit institutions, insurance corporations and professionals carrying out lending activities (mortgage lenders) have relevant material Luxembourg credit exposures through direct cross-border credit are recommended to reciprocate the Luxembourg measure in their jurisdiction. If the same measure is not available in their jurisdiction for all relevant cross-border exposures, the relevant authorities should apply available measures that have the most equivalent effect to the activated macroprudential policy measure.

6. Member States should notify the ESRB that they reciprocated the Luxembourg measure or used *de minimis* exemptions in accordance with Recommendation D of Recommendation ESRB/2015/2. The notification should be provided no later than one month after the reciprocating measure has been adopted, using the respective template published on the ESRB’s website. The ESRB will publish the notifications on the ESRB’s website, thereby communicating the national reciprocation decisions to the public. This publication will include any exemptions made by reciprocating Member States and their commitment to monitor leakages and act if needed.

7. Member States are recommended to reciprocate a measure within three months from the publication of this Recommendation in the *Official Journal of the European Union*.

III. Materiality threshold

8. The measure is complemented by two materiality thresholds to steer the potential application of the *de minimis* principle by the reciprocating Member States: a country-specific materiality threshold and an institution-specific materiality threshold. The country-specific materiality threshold for the total cross-border mortgage lending to Luxembourg is EUR 350 million which corresponds to approximately 1 % of the total domestic residential real estate mortgage market in December 2020. The institution-specific materiality threshold for the total cross-border mortgage lending to Luxembourg is EUR 35 million which corresponds to approximately 0.1 % of the total domestic residential real estate mortgage market in Luxembourg in December 2020. Reciprocation is only requested when both the country-specific threshold and the institution-specific threshold are exceeded.

Netherlands

A minimum average risk weight applied by credit institutions using the IRB approach in relation to their portfolios of exposures to natural persons secured by residential property located in the Netherlands. For each individual exposure item that falls within the scope of the measure, a 12 % risk weight is assigned to a portion of the loan not exceeding 55 % of the market value of the property that serves to secure the loan, and a 45 % risk weight is assigned to the remaining portion of the loan. The minimum average risk weight of the portfolio is the exposure-weighted average of the risk weights of the individual loans.

I. Description of the measure

1. The Dutch measure applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 imposes a minimum average risk weight for IRB credit institutions’ portfolio of exposures to natural persons secured by mortgages on residential property located in the Netherlands. Loans covered by the National Mortgage Guarantee scheme are exempted from the measure.

2. The minimum average risk weight is to be calculated as follows:

   (a) For each individual exposure item that falls within the scope of the measure, a 12 % risk weight is assigned to the portion of the loan not exceeding 55 % of the market value of the property that serves to secure the loan, and a 45 % risk weight is assigned to the remaining portion of the loan. The LTV ratio to be used in this calculation should be determined in accordance with the applicable provisions of Regulation (EU) No 575/2013.

   (b) The minimum average risk weight of the portfolio is the exposure-weighted average of the risk weights of the individual loans, calculated as explained above. Individual loans that are exempt from the measure are disregarded when calculating the minimum average risk weight.

3. This measure does not replace the existing capital requirements set out in and arising from Regulation (EU) No 575/2013. Banks to which the measure applies must calculate the average risk weight of the part of the mortgage portfolio that falls within the scope of this measure on the basis of both the regular applicable provisions contained in Regulation (EU) No 575/2013 and the method as set out in the measure. In calculating their capital requirements, they must subsequently apply the higher of the two average risk weights.

II. Reciprocation

4. Relevant authorities are recommended to reciprocate the Dutch measure by applying it to domestically authorised credit institutions using the IRB approach that have exposures to natural persons secured by residential property located in the Netherlands, as their banking sector may, through their branches, be or become exposed to the systemic risk in the Dutch housing market directly or indirectly.

5. 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 the Netherlands by the activating authority within the deadline specified in sub-recommendation C(3).

6. 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

7. The measure is complemented by an institution-specific materiality threshold to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure. Institutions may be exempted from the minimum average risk weight for the IRB credit institutions' portfolio of exposures to natural persons secured by mortgages on residential property located in the Netherlands if this value does not exceed EUR 5 billion. Loans covered by the National Mortgage Guarantee scheme will not be calculated towards the materiality threshold.

8. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the materiality threshold of EUR 5 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.

Norway

— **a 4,5 % systemic risk buffer rate for exposures located in Norway, applied pursuant to Article 133 of Directive 2013/36/EU, as applicable to and in Norway as of 31 December 2022 pursuant to the terms of the Agreement on the European Economic Area (EEA Agreement) (hereinafter the 'CRD as applicable to and in Norway as of 31 December 2022), to all credit institutions authorised in Norway;**

— **a 20 % floor for (exposure-weighted) average risk weights for exposures to residential real estate located in Norway, applied pursuant to Article 458(2)(d)(iv) of Regulation (EU) No 575/2013, as applicable to and in Norway as of 31 December 2022 pursuant to the terms of the EEA Agreement (hereinafter the 'CRR as applicable to and in Norway on 31 December 2022), to credit institutions authorised in Norway using the internal ratings-based (IRB) approach for calculating regulatory capital requirements;**

— **a 35 % floor for (exposure-weighted) risk weights for exposures to commercial real estate located in Norway, applied pursuant to Article 458(2)(d)(iv) of the CRR as applicable to and in Norway as of 31 December 2022 to credit institutions authorised in Norway using the IRB approach for calculating regulatory capital requirements.**

I. Description of the measures

1. With effect from 31 December 2020, Finansdepartementet (the Norwegian Ministry of Finance) introduced three macroprudential measures, namely (i) a systemic risk buffer for exposures located in Norway, pursuant to Article 133 of the CRD as applicable to and in Norway as of 31 December 2022; (ii) a risk weight floor for exposures to residential real estate located in Norway, pursuant to Article 458(2)(d)(iv) of the CRR as applicable to and in Norway as of 31 December 2022; and (iii) a risk weight floor for exposures to commercial real estate located in Norway, pursuant to Article 458(2)(d)(iv) of the CRR as applicable to and in Norway as of 31 December 2022.

2. The systemic risk buffer rate is set at 4,5 % and applies to the domestic exposures of all credit institutions authorised in Norway. However, for credit institutions that do not use the advanced IRB approach, the systemic risk buffer rate applicable to all exposures is set at 3 % until 30 December 2023; thereafter, the systemic risk buffer rate applicable to domestic exposures is set at 4,5 %.

3. The residential real estate risk weight floor measure is an institution-specific average risk weights floor for residential real estate exposures in Norway, applicable to credit institutions using the IRB approach. The real estate risk weight floor concerns the exposure-weighted average risk weight in the residential real estate portfolio. Norwegian residential real estate exposures should be understood as retail exposures collateralised by immovable property in Norway.

4. The commercial real estate risk weight floor measure is an institution-specific average risk weights floor for commercial real estate exposures in Norway, applicable to credit institutions using the IRB approach. The real estate risk weight floor concerns the exposure-weighted average risk weight in the commercial real estate portfolio. Norwegian commercial real estate exposures should be understood as corporate exposures collateralised by immovable property in Norway.

II. Reciprocation

5a. Relevant authorities are recommended to reciprocate the Norwegian measures for exposures located in Norway in accordance with Article 134(1) of Directive 2013/36/EU and with Article 458(5) of Regulation (EU) No 575/2013, respectively. Relevant authorities are recommended to reciprocate the systemic risk buffer rate within 18 months following the publication of Recommendation ESRB/2021/3 of the European Systemic Risk Board [3]. In the *Official Journal of the European Union*. The risk weight floors for residential and commercial real estate exposures in Norway should be reciprocated within the standard three-month transition period following the publication of Recommendation ESRB/2021/3 in the *Official Journal of the European Union*.

[3] Recommendation ESRB/2021/3 of the European Systemic Risk Board of 30 April 2021 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (OJ C 222, 11.6.2021, p. 1).

5b. As the lowering of the materiality threshold as referred to in Recommendation ESRB/2023/1 of the European Systemic Risk Board [4] might require a relevant authority to adopt a new national reciprocating measure or amend existing national measures reciprocating the Norwegian systemic risk buffer measure, the standard three-month transition period following the publication of Recommendation ESRB/2023/1 in the *Official Journal of the European Union* for the implementation of reciprocating measures applies.

6. If the same macroprudential policy measures are not available in their jurisdiction, in accordance with sub-recommendation C(2), the relevant authorities are recommended to apply, following consultation with the ESRB, macroprudential policy measures available in their jurisdiction that have the most equivalent effect to the above measures recommended for reciprocation. The relevant authorities are recommended to adopt the equivalent measures for the reciprocation of average risk weight floors for residential and commercial real estate exposures within 12 months and for the reciprocation of the systemic risk buffer rate within 18 months, respectively, following the publication of Recommendation ESRB/2021/3 in the *Official Journal of the European Union*. To the extent that the lowering of the materiality threshold requires a relevant authority to adopt a new national reciprocating measure as described in this subparagraph or amend existing national measures reciprocating the Norwegian systemic risk buffer measure, the standard three-month transition period following the publication of Recommendation ESRB/2023/1 in the *Official Journal of the European Union* for the implementation of reciprocating measures applies.

[7. *Paragraph 7 was deleted by Recommendation ESRB/2023/1.*]

III. Materiality threshold

8. The measures are complemented by institution-specific materiality thresholds based on exposures located in Norway to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure as follows:

   (a) for the systemic risk buffer, the materiality threshold is set at a risk-weighted exposure amount of NOK 5 billion, which corresponds to around 0,16 % of total risk-weighted exposures of credit institutions reporting in Norway;

   (b) for the residential real estate risk weight floor, the materiality threshold is set at a gross lending of NOK 32,3 billion, corresponding to about 1 % of gross collateralised residential real estate lending to Norwegian customers;

   (c) for the commercial real estate risk weight floor, the materiality threshold is set at a gross lending of NOK 7,6 billion, corresponding to about 1 % of gross collateralised commercial real estate lending to Norwegian customers.

9. 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 having non-material exposures in Norway. Exposures are deemed non-material if they are below the institution-specific materiality thresholds set under paragraph 8 above. When applying the materiality thresholds, the relevant authorities should monitor the materiality of exposures and are recommended to apply the Norwegian measures to previously exempted individual domestically authorised credit institutions when the materiality thresholds set under paragraph 8 above are exceeded.

10. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the materiality thresholds set under paragraph 8 above are recommended maximum threshold levels. Reciprocating relevant authorities may therefore, instead of applying the recommended thresholds, set lower thresholds for their jurisdictions where appropriate, or reciprocate the measures without any materiality threshold.

11. Where there are no credit institutions authorised in the Member States having material exposures in Norway, relevant authorities of the Member States concerned may, pursuant to Section 2.2.1 of Recommendation ESRB/2015/2, decide not to reciprocate the Norwegian measures. In this case, the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate the Norwegian measures when a credit institution exceeds the respective materiality thresholds.

[4] Recommendation ESRB/2023/1 of the European Systemic Risk Board of 6 March 2023 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (OJ C 158, 4.5.2023, p. 1).

Sweden

— **a credit institution-specific floor of 25 % for the exposure-weighted average of the risk weights applied to the portfolio of retail exposures to obligors residing in Sweden secured by immovable property applied in accordance with Article 458(2)(d)(iv) of Regulation (EU) No 575/2013 to credit institutions authorised in Sweden using the IRB approach for calculating regulatory capital requirements;**

— **a credit institution-specific minimum level (floor) of 35 % for the exposure-weighted average of the risk weights applied to the portfolio of corporate exposures secured by mortgages on immovable commercial properties (properties physically located in Sweden owned for commercial purposes to generate rental income) and a credit institution-specific minimum level (floor) of 25 % for the exposure-weighted average of the risk weights applied to the portfolio of corporate exposures secured by mortgages on immovable residential properties (apartment buildings physically located in Sweden owned for commercial purposes to generate rental income, where the number of residences in the property exceeds three) applied in accordance with Article 458(2)(d)(iv) of Regulation (EU) No 575/2013 to credit institutions authorised in Sweden using the IRB approach for calculating regulatory capital requirements.**

I. Description of the measures

1. The Swedish measure applied in accordance with Article 458(2)(d)(iv) of Regulation (EU) No 575/2013 and imposed on credit institutions authorised in Sweden using the IRB approach, consists of a credit institution-specific floor of 25 % for the exposure-weighted average of the risk weights applied to the portfolio of retail exposures to obligors residing in Sweden secured by immovable property. The exposure-weighted average is the average of the risk weights of the individual exposures calculated in accordance with Article 154 of Regulation (EU) No 575/2013, weighted by the relevant exposure value.

2. The Swedish measure applied in accordance with Article 458(2)(d)(iv) of Regulation (EU) No 575/2013 and imposed on credit institutions authorised in Sweden using the IRB approach, consists of an exposure-weighted risk weight credit institution-specific minimum level (floor) of 35 % for certain corporate exposures in Sweden secured by mortgages on immovable commercial properties and an exposure-weighted risk weight credit institution-specific minimum level (floor) of 25 % for certain corporate exposures in Sweden secured by mortgages on immovable residential properties. The exposure-weighted average is the average of the risk weights of the individual exposures calculated in accordance with Article 153 of Regulation (EU) No 575/2013, weighted by the relevant exposure value. This measure does not cover corporate exposures secured by: (i) agricultural properties; (ii) properties owned directly by municipalities, states or regions; (iii) properties where more than 50 % of the property is used for own business; and (iv) multi-dwelling properties where the purpose of the property is not commercial (for example housing associations that are owned by the residents and that are non-profit making) or where the number of dwellings is less than four.

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 Swedish measures by applying them to branches located in Sweden of domestically authorised credit institutions using the IRB approach for calculating regulatory capital requirements. In accordance with Article 458(5) of Regulation (EU) No 575/2013, relevant authorities of the Member States concerned are recommended to reciprocate the Swedish measures by applying them to domestically authorised credit institutions using the IRB approach for calculating regulatory capital requirements that have retail exposures to obligors residing in Sweden secured by mortgages on immovable properties and/or corporate exposures in Sweden secured by mortgages on commercial or residential properties. In accordance with sub-recommendation C(2), the relevant authorities are recommended to apply the same measure as the ones that have been implemented in Sweden by the activating authority by no later than three months following the publication of the corresponding Recommendation in the *Official Journal of the European Union* [5].

[5] See Recommendation ESRB/2019/1 for the macroprudential policy measure activated on 31 December 2018.

4. If the same macroprudential policy measures are 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 measures recommended for reciprocation. Relevant authorities are recommended to adopt the equivalent measures by no later than four months following the publication of the corresponding Recommendation in the *Official Journal of the European Union* ([6]).

III. Materiality threshold

5. The measures are complemented by an institution-specific materiality threshold of SEK 5 billion for each of the measures described in paragraphs 1 and 2, respectively, 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 that have exposures below the materiality threshold of SEK 5 billion for the measures described in paragraphs 1 and 2, respectively. When applying the materiality threshold, the relevant authorities should monitor the materiality of exposures and are recommended to apply the relevant Swedish measures to previously exempted individual domestically authorised credit institutions when the materiality threshold of SEK 5 billion is exceeded for that measure.

7. Where no domestically authorised credit institution using the IRB approach has retail exposures, as described in paragraph 1, of more than SEK 5 billion, through branches located in Sweden and/or direct cross-border activity, relevant authorities of the Member States concerned may, pursuant to Section 2.2.1 of Recommendation ESRB/2015/2, decide not to reciprocate the measure. In this case, the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate the measure described in paragraph 1 where a domestically authorised credit institution using the IRB approach exceeds the threshold of SEK 5 billion.

8. Where no domestically authorised credit institutions using the IRB approach has corporate exposures, as described in paragraph 2, of more than SEK 5 billion, through branches located in Sweden and/or direct cross-border activity, relevant authorities of the Member States concerned may, pursuant to Section 2.2.1 of Recommendation ESRB/2015/2, decide not to reciprocate the measure. In this case the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate the measure described in paragraph 2 where a domestically authorised credit institution using the IRB approach exceeds the threshold of SEK 5 billion.

9. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the materiality threshold of SEK 5 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 measures without any materiality threshold.

Portugal

A 4 % sectoral systemic risk buffer rate on all IRB retail exposures to natural persons secured by residential immovable property for which the collateral is located in Portugal.

I. Description of the measure

1. The Portuguese measure, applied in accordance with Article 133 of Directive 2013/36/EU and on the highest level of consolidation, activates a new sSyRB rate of 4 % on IRB retail exposures to natural persons secured by residential immovable property for which the collateral is located in Portugal (both non-defaulted and defaulted exposures).

2. The measure intends to enhance resilience against accumulated vulnerabilities in the mortgage loans stock in a potential downturn of the economic cycle and/or against an unexpected significant correction of residential real estate prices.

([6]) See Recommendation ESRB/2019/1 for the macroprudential policy measure activated on 31 December 2018.

II. Reciprocation

3. Relevant authorities are recommended to reciprocate the Portuguese measure by applying it to IRB retail exposures to natural persons secured by residential immovable property for which the collateral is located in Portugal (as both non-defaulted and defaulted exposures). Alternatively, the measure can be reciprocated using the following scope in COREP reporting: IRB retail exposures secured by residential immovable property vis-à-vis individuals located in Portugal (as both non-defaulted and defaulted exposures).

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.

5. Following the request by Banco de Portugal, reciprocating relevant authorities are recommended to reciprocate the Portuguese measure by applying it on the highest level of consolidation.

6. Reciprocating relevant authorities are recommended to ensure that the reciprocating measure applies and is complied with from 1 October 2024.

III. Materiality threshold

7. The measure is complemented by an institution-specific materiality threshold based on exposures located in Portugal to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure. Credit institutions may be exempted from the sectoral systemic risk buffer rate requirement as long as their relevant sectoral exposures do not exceed EUR 1 billion, which corresponds to approximately 1 % of the stock of credit for house purchase in Portugal.

8. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the materiality threshold of EUR 1 billion is a recommended maximum threshold level. 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. When setting the materiality threshold relevant authorities should consider individual financial service provider's exposure to the identified macroprudential risk in Portugal and assess whether it can be considered non-material.

9. Where there are no credit institutions authorised in the Member States having material exposures in Portugal, relevant authorities of the Member States concerned may, pursuant to Section 2.2.1 of Recommendation ESRB/2015/2, decide not to reciprocate the Portuguese measures. In this case, the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate the Portuguese measures when a credit institution exceeds the respective materiality thresholds.

Denmark

A 7 % sectoral systemic risk buffer rate on all types of exposures located in Denmark to non-financial corporations operating in real estate activities and in the development of building projects identified in accordance with the statistical classification of economic activities in the Union, set out in Regulation (EC) No 1893/2006.

I. Description of the measure

1. The sectoral systemic risk buffer rate of 7 % will apply to all domestic credit institutions.

2. It will apply to all types of exposures located in Denmark to non-financial corporations operating in real estate activities apart from social housing associations and housing cooperative associations and in development of building projects. The relevant economic activities of the debtor are specified by a reference to the statistical classification of economic activities in the Union, set out in Regulation (EC) No 1893/2006 [7].

   The measure will apply on an individual and consolidated basis.

II. Reciprocation

3. Reciprocating relevant authorities are recommended to reciprocate the Danish measure by applying it to all types of exposures located in Denmark to non-financial corporations engaged in specific economic activities, which are determined as follows: "Real estate activities" according to NACE [8] code "L", apart from social housing associations and housing cooperative associations and "Development of building projects" (41.1) according to NACE code "F".

4. Following the request by the Danish Ministry of Industry, Business and Financial Affairs, the relevant authorities are recommended to reciprocate the Danish measure by applying it on an individual and consolidated basis.

5. 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 measure recommended for reciprocation, including adopting supervisory measures and powers laid down in Title VII, Chapter 2, Section IV of Directive 2013/36/EU.

6. Relevant authorities are recommended to ensure that the reciprocating measure applies and is complied with from 30 June 2024.

III. Materiality threshold

7. The measure is complemented by an institution-specific materiality threshold based on exposures located in Denmark to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure. Credit institutions may be exempted from the sectoral systemic risk buffer rate requirement as long as their relevant sectoral exposures do not exceed EUR 200 million, which corresponds to approximately 0,3 % of the total exposures to real estate companies in Denmark.

8. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the materiality threshold of EUR 200 million is a recommended maximum threshold level. 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. When setting the materiality threshold relevant authorities should consider individual financial service provider's exposure to the identified macroprudential risk in Denmark and assess whether it can be considered non-material.

9. Where there are no credit institutions authorised in the Member States having material exposures in Denmark, relevant authorities of the Member States concerned may, pursuant to Section 2.2.1 of Recommendation ESRB/2015/2, decide not to reciprocate the Danish measures. In this case, the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate the Danish measures when a credit institution exceeds the respective materiality thresholds.'

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[7] The determination of the specific subsets of sectoral exposures to which the sSyRB will be applied, is based on the EBA Guidelines on the appropriate subsets of sectoral exposures to which competent or designated authorities may apply a systemic risk buffer in accordance with Article 133(5)(f) of Directive 2013/36/EU, (EBA-GL-2020-13), available on the EBA website at: www.eba.europa.eu.

[8] NACE Rev.2, Statistical classification of economic activities in the European Community, Regulation (EC) No 1893/2006.