

**Recommendation of the European Systemic Risk Board of 24 March 2021
amending Recommendation ESRB/2015/2 on the assessment of cross-
border effects of and voluntary reciprocity for macroprudential policy
measures**

(ESRB/2021/2)

Recommendation 2021/2 of the European Systemic Risk Board (ESRB) was published in the Official Journal of the European Union on 11 June 2021 and amends Recommendation ESRB/2015/2 as a consequence of the macroprudential policy measures adopted by Luxembourg's Financial Sector Supervisory Commission (*Commission de Surveillance du Secteur Financier*). Recommendation ESRB/2021/2 invites the relevant authorities of the Member States to reciprocate the macroprudential policy measure adopted in Luxembourg, when certain pre-defined materiality thresholds are exceeded.

The Luxembourg measure consists of compliance with loan-to-value (LTV) limits on new mortgage loans on residential real estate located in Luxembourg, with different LTV limits across categories of borrowers: (i) an LTV limit of 100% for first-time buyers acquiring their primary residence; (ii) an LTV limit of 90% for other buyers (i.e. not first-time buyers) acquiring their primary residence, subject to a portfolio allowance (i.e. 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%); and (iii) an LTV limit of 80% for other mortgage loans (including the buy-to-let segment). It also sets two materiality thresholds: a country-specific materiality threshold of €350 million in cross-border mortgage lending (1% of the total domestic residential real estate mortgage market in Luxembourg in December 2020), and an institution-specific materiality threshold for cross-border mortgage lending of €35 million (0.1% of the total domestic residential real estate mortgage market in Luxembourg in December 2020). Reciprocation is only requested when both thresholds are exceeded.

Owing to the lack of materiality, on 14 July 2021 the Executive Commission of the Banco de España resolved not to reciprocate the measure adopted in Luxembourg.

RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD**of 24 March 2021****amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2021/2)**

(2021/C 222/02)

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 ⁽¹⁾, and in particular Article 3 and Articles 16 to 18 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 ⁽²⁾, 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 ⁽³⁾, aims to ensure that the same set of macroprudential requirements apply to the same type of risk exposures in a given Member State, irrespective of the legal status and location of the financial service provider.
- (3) Recommendation ESRB/2017/4 of the European Systemic Risk Board ⁽⁴⁾ 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) Since 1 January 2021, credit institutions, insurance corporations and professionals carrying out lending activities (mortgage lenders) in Luxembourg are required to comply with loan-to-value (LTV) limits on new mortgage loans on residential real estate located in Luxembourg, with different LTV limits across categories of borrowers: (i) an LTV limit of 100 % for first-time buyers acquiring their primary residence; (ii) an LTV limit of 90 % for other buyers (i.e. not first-time buyers) acquiring their primary residence, subject to a portfolio allowance (i.e. 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 %); (iii) an LTV limit of 80 % for other mortgage loans (including the buy-to-let segment).

⁽¹⁾ OJ L 331, 15.12.2010, p. 1.

⁽²⁾ OJ C 58, 24.2.2011, p. 4.

⁽³⁾ 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).

⁽⁴⁾ 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).

- (5) Following the request for reciprocity by the *Comité du Risque Systémique* (Systemic Risk Committee) to the ESRB on 18 December 2020, and in order to: (i) 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 Luxembourg; (ii) preserve a level playing field among relevant financial institutions and preserve the overall resilience of those financial institutions; 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) The macroprudential policy measure activated by the *Commission de Surveillance du Secteur Financier* (Financial Sector Supervisory Commission) is a measure that is not harmonised under Union law. In line with sub-recommendation C(2) of Recommendation ESRB/2015/2, reciprocating authorities are recommended to either implement the same macroprudential policy measure as the one that has been implemented by the activating authority or, if the same macroprudential policy measure is not available in national legislation, adopt, following consultation with the ESRB, a macroprudential policy measure available in their jurisdictions that has the most equivalent effect to the activated macroprudential policy measure.
- (7) The General Board of the ESRB has also decided to recommend an institution-specific threshold and a country-specific materiality threshold to steer the application of the *de minimis* principle by the reciprocating Member States.
- (8) 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 reciprocity by the ESRB. It is recommended that the following measures, as further described in the Annex, be reciprocated:

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 which use 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;

France:

— a tightening of the large exposure limit provided for in Article 395(1) of Regulation (EU) No 575/2013, applicable to exposures of highly-indebted large non-financial corporations having their registered office in France to 5 per cent of eligible capital, applied in accordance with Article 458(2)(d)(ii) of Regulation (EU) No 575/2013 to global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs) at the highest level of consolidation of their banking prudential perimeter;

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).

Sweden:

- a credit institution-specific floor of 25 per cent 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 in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 to credit institutions authorised in Sweden which use the IRB Approach for calculating regulatory capital requirements.;

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

Done at Frankfurt am Main, 24 March 2021.

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

ANNEX

ANNEX

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.

France

A tightening of the large exposure limit provided for in Article 395(1) of Regulation (EU) No 575/2013, applicable to exposures to highly-indebted large non-financial corporations having their registered office in France to 5 per cent of eligible capital, applied in accordance with Article 458(2)(d)(ii) of Regulation (EU) No 575/2013 to global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs) at the highest level of consolidation of their banking prudential perimeter.

I. Description of the measure

1. The French measure, applied in accordance with Article 458(2)(d)(ii) of Regulation (EU) No 575/2013 and imposed on G-SIIs and O-SIIs at the highest level of consolidation of their banking prudential perimeter (not at a sub-consolidated level), consists of a tightening of the large exposure limit to 5 per cent of their eligible capital, applicable to exposures to highly-indebted large non-financial corporations having their registered office in France.
2. A non-financial corporation is defined as a natural or legal person under private law having its registered office in France, and which, at its level and at the highest level of consolidation, belongs to the non-financial corporations sector as defined in point 2.45 of Annex A to Regulation (EU) No 549/2013 of the European Parliament and of the Council (*).
3. The measure applies to exposures to non-financial corporations having their registered office in France and to exposures to groups of connected non-financial corporations as follows:
 - (a) For non-financial corporations which are part of a group of connected non-financial corporations having its registered office at the highest level of consolidation in France, the measure applies to the sum of the net exposures towards the group and all its connected entities within the meaning of point (39) of Article 4(1) of Regulation (EU) No 575/2013;
 - (b) For non-financial corporations which are part of a group of connected non-financial corporations having its registered office at the highest level of consolidation outside France, the measure applies to the sum of:
 - a. the exposures to those non-financial corporations having their registered office in France;
 - b. the exposures to the entities in France or abroad over which the non-financial corporations referred to in (i) have direct or indirect control within the meaning of point (39) of Article 4(1) of Regulation (EU) No 575/2013; and
 - c. the exposures to the entities in France or abroad which are economically dependent on the non-financial corporations referred to in (i) within the meaning of point (39) of Article 4(1) of Regulation (EU) No 575/2013.

Non-financial corporations which do not have their registered office in France and which are not a subsidiary or an economically dependent entity of, and which are not directly or indirectly controlled by, a non-financial corporation having its registered office in France, therefore fall outside the scope of the measure.

In accordance with Article 395(1) of Regulation (EU) No 575/2013, the measure is applicable after taking into account the effect of the credit risk mitigation techniques and exemptions in accordance with Articles 399 to 403 of Regulation (EU) No 575/2013.

4. A G-SII or an O-SII must consider a non-financial corporation having its registered office in France as large if its original exposure to the non-financial corporation, or to the group of connected non-financial corporations within the meaning of paragraph 3, is equal to or larger than EUR 300 million. The original exposure value is calculated in accordance with Articles 389 and 390 of Regulation (EU) No 575/2013 before taking into account the effect of credit risk mitigation techniques and exemptions set out in Articles 399 to 403 of Regulation (EU) No 575/2013, as reported in accordance with Article 9 of Commission Implementing Regulation (EU) No 680/2014 (**).
5. A non-financial corporation is considered highly-indebted if it has a leverage ratio that is greater than 100 per cent and a financial charges coverage ratio that is below three, calculated at the highest level of group consolidation as follows:
 - (a) The leverage ratio is the ratio between total debt net of cash and equity; and
 - (b) The financial charges coverage ratio is the ratio between, on the one hand, the value added plus operating subsidies less: (i) payroll; (ii) operating taxes and duties; (iii) other net ordinary operating expenses excluding net interest and similar charges; and (iv) depreciation and amortisation, and, on the other hand, interest and similar charges.

The ratios are calculated based on accounting aggregates defined in accordance with the applicable standards, as presented in the non-financial corporation's financial statements, certified where appropriate by a chartered accountant.

II. Reciprocation

6. Relevant authorities are recommended to reciprocate the French measure by applying it to domestically authorised G-SIIs and O-SIIs at the highest level of consolidation within the jurisdiction of their banking prudential perimeter.
7. If the same macroprudential policy measure is not available in their jurisdiction, in line 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 most equivalent effect to the above measure recommended for reciprocation. The relevant authorities are recommended to adopt the equivalent measure by no later than six months following the publication of this Recommendation in the *Official Journal of the European Union*.

III. Materiality threshold

8. The measure is complemented by a combined materiality threshold to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure, which is composed of:
 - (a) A threshold of EUR 2 billion for the total original exposures of domestically authorised G-SIIs and O-SIIs at the highest level of consolidation of the banking prudential perimeter to the French non-financial corporations sector;
 - (b) A threshold of EUR 300 million applicable to domestically authorised G-SIIs and O-SIIs equalling or exceeding the threshold mentioned in (a) for:
 - (i) a single original exposure to a non-financial corporation having its registered office in France;
 - (ii) the sum of original exposures to a group of connected non-financial corporations, which has its registered office at the highest level of consolidation in France, calculated in accordance with paragraph 3(a);
 - (iii) the sum of original exposures to non-financial corporations having their registered office in France which are part of a group of connected non-financial corporations having its registered office at the highest level of consolidation outside France as reported in templates C 28.00 and C 29.00 of Annex VIII to Implementing Regulation (EU) No 680/2014;
 - (c) A threshold of 5 per cent of the G-SII's or O-SII's eligible capital at the highest level of consolidation, for exposures identified in (b) after taking into account the effect of the credit risk mitigation techniques and exemptions in accordance with Articles 399 to 403 of Regulation (EU) No 575/2013.

The thresholds referred to in paragraphs (b) and (c) are to be applied irrespective of whether the relevant entity or non-financial corporation is highly-indebted or not.

The original exposure value referred to in paragraphs (a) and (b) is to be calculated in accordance with Articles 389 and 390 of Regulation (EU) No 575/2013 before taking into account the effect of credit risk mitigation techniques and exemptions set out in Articles 399 to 403 of Regulation (EU) No 575/2013 as reported in accordance with Article 9 of Implementing Regulation (EU) No 680/2014.

9. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the relevant authorities of the Member State concerned may exempt domestically authorised G-SIIs or O-SIIs at the highest level of consolidation of their banking prudential perimeter which do not breach the combined materiality threshold referred to in paragraph 8. When applying the materiality threshold, the relevant authorities should monitor the materiality of the exposures of domestically authorised G-SIIs and O-SIIs to the French non-financial corporations sector as well as the exposure concentration of domestically authorised G-SIIs and O-SIIs to large non-financial corporations having their registered office in France, and are recommended to apply the French measure to previously exempted domestically authorised G-SIIs or O-SIIs at the highest level of consolidation of their banking prudential perimeter when the combined materiality threshold referred to in paragraph 8 is breached. Relevant authorities are also encouraged to signal the systemic risks associated with the increased leverage of large non-financial corporations having their registered office in France to other market participants in their jurisdiction.
10. Where there are no G-SIIs or O-SIIs at the highest level of consolidation of their banking prudential perimeter authorised in the Member States concerned and having exposures to the French non-financial corporations sector above the materiality threshold referred to in paragraph 8, the relevant authorities of the Member States concerned may, pursuant to Section 2.2.1 of Recommendation ESRB/2015/2, decide not to reciprocate the French measure. In this case the relevant authorities should monitor the materiality of the exposures of domestically authorised G-SIIs and O-SIIs to the French non-financial corporations sector as well as the exposure concentration of domestically authorised G-SIIs and O-SIIs to large non-financial corporations having their registered office in France, and are recommended to reciprocate the French measure when a G-SII or O-SII at the highest level of consolidation of its banking prudential perimeter exceeds the combined materiality threshold referred to in paragraph 8. Relevant authorities are also encouraged to signal the systemic risks associated with the increased leverage of large non-financial corporations having their registered office in France to other market participants in their jurisdiction.
11. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the combined materiality threshold referred to in paragraph 8 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 Regulation 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.

Sweden

A credit institution-specific floor of 25 per cent 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 in accordance with Article 458(2)(d)(vi) 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 measure

1. The Swedish measure, applied in accordance with Article 458(2)(d)(vi) 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 per cent for exposure-weighted average of the risk weights applied to the portfolio of retail exposures to obligors residing in Sweden secured by immovable property.

2. 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.

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 measure by applying it to branches located in Sweden of domestically authorised credit institutions using the IRB Approach within the deadline specified in sub-recommendation C(3).
4. Relevant authorities are recommended to reciprocate the Swedish measure by applying it to domestically authorised credit institutions using the IRB Approach that have direct retail exposures to obligors residing in Sweden secured by immovable property. 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 Sweden by the activating authority within the deadline specified in sub-recommendation C(3).
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 above measure recommended for reciprocation. 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

6. The measure is complemented by an institution-specific materiality threshold of SEK 5 billion to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure.
7. 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 to obligors residing in Sweden secured by immovable property which are below the materiality threshold of SEK 5 billion. When applying the materiality threshold, the relevant authorities should monitor the materiality of exposures and are recommended to apply the Swedish measure to previously exempted individual domestically authorised credit institutions when the materiality threshold of SEK 5 billion is exceeded.
8. Where there are no credit institutions authorised in the Member States concerned with branches located in Sweden or which have direct retail exposures to obligors residing in Sweden, secured by immovable property, which use the IRB Approach and which have retail exposures of SEK 5 billion or above to obligors residing in Sweden, secured by immovable property, relevant authorities of the Member States concerned may, pursuant to Section 2.2.1 of Recommendation ESRB/2015/2, decide not to reciprocate the Swedish measure. In this case the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate the Swedish measure when a 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 measure without any materiality threshold.

(*) Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union (OJ L 174, 26.6.2013, p. 1).

(**) Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 191, 28.6.2014, p. 1).'