Recommendation of the European Systemic Risk Board of 27 September 2024 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures

(ESRB/2024/5)

Recommendation 2024/5 of the European Systemic Risk Board (ESRB) was published in the Official Journal of the European Union on 14 November 2024 and amends Recommendation ESRB/2015/2 as a consequence of the macroprudential policy measure adopted by the Belgian central bank (Nationale Bank van België/Banque Nationale de Belgique). Recommendation ESRB/2024/5 invites the relevant authorities of the Member States to reciprocate the macroprudential policy measure adopted in Belgium, bearing in mind the pre-defined materiality thresholds.

The Belgian macroprudential measure consists in applying a sectoral systemic risk buffer rate of 6% on all internal ratings-based (IRB) retail exposures to natural persons that are secured by residential immovable property located in Belgium. The new recommendation explains that the reciprocal measure is applied on a consolidated, sub-consolidated and individual basis. In this case, an institution-specific materiality threshold of €2 billion is established.

Owing to the limited materiality of Spanish institutions' credit exposures to Belgium, which are below the materiality threshold set by the ESRB, on 28 January 2025 the Banco de España, by means of a resolution adopted by the Director General for Financial Stability, Regulation and Resolution, pursuant to powers delegated by the Executive Commission (Official State Gazette (BOE) of 17.12.2024), resolved not to reciprocate the measure adopted in Belgium.

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RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD

of 27 September 2024

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

(ESRB/2024/5)

(C/2024/6967)

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]), and 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) In order to ensure effective and consistent 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) On 18 July 2023, the Nationale Bank van België / Banque Nationale de Belgique (NBB/BNB), acting as the designated authority for the purpose of Article 133(2) of Directive 2013/36/EU, notified the European Systemic Risk Board (ESRB) of its intention to recalibrate the sectoral systemic risk buffer (sSyRB) rate previously imposed, on a consolidated, sub-consolidated, and individual basis, on all internal ratings-based (IRB) bank retail exposures to natural persons secured by residential real estate property for which the collateral is located in Belgium from 9 % to 6 % from 1 April 2024.

(4) On 25 August 2023, the ESRB adopted Opinion ESRB/2023/7 of the European Systemic Risk Board ([6]), where it stated that it considers the cumulative sSyRB and O-SII buffer rates appropriate and effective to address the identified risks for each of the credit institutions which fall within the scope of these two measures.

([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]) Opinion ESRB/2023/7 of the European Systemic Risk Board of 25 August 2023 regarding the Belgian notifications of the setting or resetting of O-SII buffer rates pursuant to Article 131 and the setting or resetting of a systemic risk buffer 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, available on the ESRB's website at www.esrb.europa.eu.

(5) On 3 October 2023, the ESRB adopted Recommendation ESRB/2023/9 of the European Systemic Risk Board [7] so as to continue to include the sSyRB rate activated and recalibrated to 6 % by NBB/BNB in the list of macroprudential policy measures which are recommended to be reciprocated under Recommendation ESRB/2015/2.

(6) On 19 July 2024, the NBB/BNB, acting as the designated authority for the purpose of Article 133 of Directive 2013/36/EU, submitted a request to the ESRB to recommend the reciprocation of the macroprudential policy measure notified on 18 July 2023, on a consolidated, sub-consolidated, and individual basis, pursuant to Article 134(5) of Directive 2013/36/EU.

(7) The reciprocation of macroprudential capital requirements activated by authorities of other Member States, on a consolidated, sub-consolidated, and individual basis, irrespective of whether the exposures concerned are held through subsidiaries or branches, or result from direct cross-border lending, limits leakages and regulatory arbitrage, tackles systemic risks and thus promotes the overall effectiveness of macroprudential policy by ensuring that increased risks are addressed not only in the Member State that has introduced the systemic risk buffer (SyRB) but also in other Member States where banking groups are exposed to those increased risks. Recognition should therefore also aim to ensure that banking groups exposed to those systemic risks are sufficiently resilient. Therefore, macroprudential capital requirements stemming from a decision to recognise other Member States' macroprudential measures should in general be applied on a consolidated, sub-consolidated, and individual basis.

(8) To recognise the Belgian sSyRB rate as requested by the NBB/BNB, the relevant competent and/or designated authorities of another Member State may set a SyRB rate in accordance with Articles 134 and 133 of Directive 2013/36/EU.

(9) In accordance with Article 134(1) of Directive 2013/36/EU, the recognition of the notified Belgian sSyRB rate by other Member States would apply to exposures located in Belgium of institutions authorised in the reciprocating Member States.

(10) In accordance with Article 133(4) of Directive 2013/36/EU, a SyRB rate may be applied on an individual, sub-consolidated, or consolidated basis. Therefore, recognition of a SyRB rate set by another Member State entails the possibility to apply a SyRB rate to all exposures on a consolidated basis (including exposures held through subsidiaries located in another Member State).

(11) Deviation from the general approach of applying the recognised Belgian macroprudential policy measure on both an individual, sub-consolidated and consolidated basis may be justified in certain cases, for instance where the reciprocating authorities deem that those systemic risks are already adequately and appropriately mitigated by existing macroprudential or microprudential requirements applied in the Member State where the banking group is consolidated.

(12) Recommendation ESRB/2015/2 of the ESRB, as amended by Recommendation ESRB/2017/4 [8], recommends that the relevant authority activating a macroprudential policy measure should, when submitting a request for reciprocation to the ESRB, propose a materiality threshold 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.

(13) Following the Belgian request for the reciprocation of the measure by other Member States received on 19 July 2024 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 Belgium, the General Board of the ESRB decided to continue to include the measure notified on 18 July 2023 in the list of macroprudential policy measures that it recommends to be reciprocated under

(7) Recommendation ESRB/2023/9 of the European Systemic Risk Board of 3 October 2023 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (OJ C, C/2023/899, 14.11.2023, ELI: http://data.europa.eu/eli/C/2023/899/oj).

(8) 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).

Recommendation ESRB/2015/2, and to recommend the reciprocation of the measure on a consolidated, sub-consolidated, and individual basis in accordance with the request for reciprocation received from the NBB/BNB. The General Board of the ESRB also decided to recommend an institution-specific materiality threshold of EUR 2 billion. The relevant authorities reciprocating the measure may exempt institutions from the systemic risk buffer requirement as long as their relevant exposures do not exceed EUR 2 billion. As the measure to be issued in recognition of the notified Belgian sSyRB rate should also apply on a consolidated basis, the sum of exposures held through branches, direct cross-border lending and through subsidiaries should be assessed against the materiality threshold.

(14) 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), the measure under Belgium is replaced by the following:

'— 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.';

(2) the Annex is amended in accordance with the Annex to this Recommendation.

Done at Frankfurt am Main, 27 September 2024.

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

ANNEX

The Annex to Recommendation ESRB/2015/2 is amended as follows:

(1) the measure under Belgium is replaced by the following:

‘**A 6 % systemic risk buffer on all IRB retail exposures secured by residential immovable property for which the collateral is located in Belgium.**’;

(2) under Belgium, the section headed ‘I. Description of the measure’ is replaced by the following:

‘I. Description of the measure

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).

2a. The measure applies on a consolidated, sub-consolidated, and individual basis.’;

(3) under Belgium, the section headed ‘II Reciprocation’ is replaced by the following:

‘II. Reciprocation

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 three months following the publication of this Recommendation in the *Official Journal of the European Union*.

4a. Following the request by the NBB/BNB, it is recommended that relevant authorities reciprocate the Belgian measure by applying it on an individual, sub-consolidated, and consolidated basis, irrespective of whether the exposures concerned are held through subsidiaries or branches or result from direct cross-border lending.’;

(4) under Belgium, the section headed ‘III Materiality Threshold’ is replaced by the following:

‘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. 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.

5a. All exposures held through branches and direct cross-border lending and through subsidiaries should be included in the calculation of exposures assessed against the materiality threshold.

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.

7. Where there are no credit institutions authorised in the Member States having material exposures in Belgium, 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 exceeds the recommended materiality threshold.’.