Notification template for Articles 133 and 134(5) of the Capital Requirements Directives (CRD) – Systemic risk buffer (SyRB)

Template for notifying the European Central Bank (ECB)and European Systemic Risk Board (ESRB) of the setting or resetting of one or more systemic risk buffer rates pursuant to Article 133(9) CRD and to request that the ESRB issue a recommendation to other Member States to reciprocate the measure under Article 134(5) CRD

Please send/upload this template to

- macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation[1]);
- notifications@esrb.europa.eu when notifying the ESRB.

The ESRB will forward the notification to the European Commission, the European Banking Authority (EBA) and the competent and designated authorities of the Member States concerned without delay. This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure[2].

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. To facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority and scope of the notification	
1.1 Name of the notifying authority	National Bank of Belgium
1.2 Country of the notifying authority	Belgium
1.3 Type of measure (also for reviews of existing measures)	Which SyRB measure do you intend to implement? ☐ Activate a new SyRB ☒ Change the level of an existing SyRB ☐ Change the scope of an existing SyRB (incl. changes to a subset of institutions or exposures) ☐ De-activate an existing SyRB ☐ Reset an existing SyRB (review)

[1] Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).
[2] On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

2. Description of the measure

2.1 Institutions covered by the intended SyRB

Please indicate whether the SyRB applies to:

☐ All institutions authorised in the Member State

☒ One or more subsets of credit institutions in the sector (please provide the names and identifiers (Legal Entity Identifier (LEI) code) of institutions covered)

Name of institution	LEI code	Consolidation level
BNP Paribas Fortis SA/NV	KGCEPHLVVKVRZYO1T647	Sub-consolidated
KBC Bank NV	6B2PBRV1FCJDMR45RZ53	Consolidated
Belfius Bank SA/NV	A5GWLFH3KM7YV2SFQL8	Consolidated
ING Belgium NV	JLS56RAMYQZECFUF2G44	Sub-consolidated
Argenta Spaarbank SA/NV	A6NZLYKYN1UV7VVGFX65	Consolidated
AXA Bank Belgium	LSGM84136ACA92XCN876	Sub-consolidated
Crelan	549300DYPOFMXOR7XM56	Consolidated
CBC Banque	DVCTKZJG5QM5XGM4TR05	Company basis
Vdk bank	54930060Q00W1SRIUI57	Company basis

☒ A subsidiary whose parent is established in another Member State. (Please provide the names and identifiers (LEI code) of subsidiaries)

Name of subsidiary	Name of the parent	LEI code of the subsidiary
BNP Paribas Fortis SA/NV	BNP Paribas SA	KGCEPHLVVKVRZYO1T647
ING Belgium NV	ING Groep N.V.	JLS56RAMYQZECFUF2G44

If the SyRB applies to a subset of institutions, please describe the criteria for selection of the relevant institutions: The measure applies to IRB banks (as risk weights applied by SA banks are deemed sufficient).

2.2 Exposures covered by the SyRB

(Article 133(5) CRD)

Please indicate the exposures to which the SyRB applies:

☐ (a) all exposures located in the Member State that is setting the buffer;

☐ (b) the following sectoral exposures located in the Member State that is setting the buffer:

(i) ☒ all retail exposures to natural persons that are secured by residential property;
(ii) ☐ all exposures to legal persons that are secured by mortgages on commercial immovable property;
(iii) ☐ all exposures to legal persons excluding those specified in point (ii);
(iv) ☐ all exposures to natural persons excluding those specified in point (i);

☒ (c) subsets of any of the sectoral exposures identified in point (b). Please specify the subsets in Section 2.3;

☐ (d) all exposures located in other Member States;

<table>
<tr><td></td><td>☐ (e) exposures located in third countries.</td></tr>
<tr><td>2.3 Subsets of sectoral exposures</td><td>
Where the systemic risk buffer applies to subsets of any of the sectoral exposures identified (see point 2.2 (c)), please specify:

- The elements of the dimensions and subdimensions that were used to identify the subset(s) of sectoral exposures as laid down in the EBA Guidelines on the appropriate subsets of exposures in the application of SyRB:

<table>
<tr><th>Dimensions/subdimensions</th><th>Elements</th></tr>
<tr><td>1. Type of debtor or counterparty sector</td><td>Natural persons (6.1.2)</td></tr>
<tr><td>1.a Economic activity</td><td></td></tr>
<tr><td>2. Type of exposure</td><td>Retail exposures (6.2.2) / Loans and advances</td></tr>
<tr><td>2.a Risk profile</td><td>Risk-weight (6.2.a.2) see also section 4.1.i) of the notification for a reference to the low IRB risk weights.</td></tr>
<tr><td>3. Type of collateral</td><td>Secured (6.3.1) / RRE (6.3.1.2)</td></tr>
<tr><td>3.a Geographical area</td><td>Belgium (6.3.a.1.)</td></tr>
</table>
- Assessment conducted in accordance with Section 5 of the EBA Guidelines on the systemic relevance of the risks stemming from this subset, taking into account:
(i) size
(ii) riskiness
(iii) interconnectedness.

- Why it would not have been appropriate to set the systemic risk buffer at the level of a sector (as in point 2.2(b)) to cover the risk targeted?

<u>Assessment conducted in accordance with Section 5 of the EBA Guidelines</u>

- Size: The NBB assesses that the size of the targeted subset of sectoral exposures can give rise to a serious risk to the financial system and the real economy in Belgium (see 4.1.i below)
- Riskiness: The NBB assesses that credit losses in the targeted portfolio might be significant under an adverse macroeconomic scenario (see section 4 below)
- Interconnectedness: the materialisation of risk in the targeted subset could lead to negative spillover effects to other exposures (including CRE-exposures) or to the economy / economic growth in general (impact on consumption etc…). By allowing to absorb first-round losses and to provide support to borrowers, hence limiting e.g. the number of house evictions, forced sales and the related impact on housing prices, the intended SSyRB, while not directly designed to cover such spillovers is expected to limit them. Remaining second-round effects could be covered by a complementary measure (e.g. CCyB) with a larger scope (see also section 5.3 below).

- The intended SSyRB targets specific exposures, i.e. IRB retail exposures secured by residential immovable property for which the collateral (immovable property) is located in Belgium. As the share of those exposures in the total exposures of each individual institution differs markedly, the application of a SyRB at the level of the sector is not justified.
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<table>
<tr><td>2.4 Exposures located in other Member States and in third countries</td><td>/</td></tr>
<tr><td>2.5 Buffer rate

(Article 133(9)(e) CRD)</td><td>
Specify the intended SyRB rate. If different buffer requirements apply to different exposures or subsets of exposures, please specify for each exposure indicated under 2.2.

Please indicate any changes to the list in 2.1 of institutions concerned and in the buffer rates given in point 2.5 as compared to the last notification, and provide an explanation, if applicable.
<table>
<tr><th rowspan="2">Exposures</th><th colspan="2">New SyRB rate</th><th colspan="2">Previous SyRB rate</th></tr>
<tr><th>All institutions (SyRB rate)</th><th>Set of institutions (range of SyRB rates)</th><th>All institutions (SyRB rate)</th><th>Set of institutions (range of SyRB rates)</th></tr>
<tr><td>(a) All exposures located in the Member State that is setting the buffer</td><td>%</td><td>% - %</td><td></td><td></td></tr>
<tr><td colspan="3">(b) The following sectoral exposures located in the Member State that is setting the buffer:</td><td></td><td></td></tr>
<tr><td>(i) All retail exposures to natural persons that are secured by residential property</td><td>%</td><td>% - %</td><td></td><td></td></tr>
<tr><td>(ii) All exposures to legal persons that are secured by mortgages on commercial immovable property</td><td>%</td><td>% - %</td><td></td><td></td></tr>
<tr><td>(iii) All exposures to legal persons excluding those specified in point (ii)</td><td>%</td><td>% - %</td><td></td><td></td></tr>
<tr><td>(iv) All exposures to natural persons excluding those specified in point (i)</td><td>%</td><td>% - %</td><td></td><td></td></tr>
<tr><td>(c) All exposures located in other Member States</td><td>%</td><td>% - %</td><td></td><td></td></tr>
<tr><td>(e) Exposures located in third countries</td><td>%</td><td>% - %</td><td></td><td></td></tr>
<tr><td colspan="3">(f) Subsets of any of the sectoral exposures identified in point (b):</td><td></td><td></td></tr>
<tr><td>(i) IRB retail exposures secured by residential immovable property for which the collateral (immovable property) is located in Belgium (both non-defaulted and defaulted exposures)</td><td>6 %</td><td>% - %</td><td>9%</td><td></td></tr>
</table>

If different buffer requirements apply to different subsets of institutions, please specify for each institution mentioned under 2.1.
<table>
<tr><th colspan="5">Set of institutions</th></tr>
<tr><th>Exposures</th><th>Name of institution</th><th>LEI code</th><th>New SyRB rate</th><th>Previous SyRB rate</th></tr>
<tr><td></td><td></td><td></td><td>%</td><td></td></tr>
<tr><td></td><td></td><td></td><td>%</td><td></td></tr>
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</td></tr>
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				%	

3. Timing for the measure	
3.1 Timing for the decision	**What is the date of the official decision? <u>For SSM countries when notifying the ECB:</u> provide the date on which the decision referred to in Article 5 of the Single Supervisory Mechanism Regulation (SSMR) will be taken.** 18/07/2023
3.2 Timing for publication	**What is the proposed date of publication of the notified measure?** 29/09/2023
3.3 Disclosure	**Information about the strategy for communicating the notified measure to the market.** **Do you also intend to publish the justification for the SyRB? If not, why do you consider that publication could jeopardise the stability of the financial system?** The NBB intends to publish a justification for the SyRB when implementing the measure, as had been the case when introducing, amending or extending previous measures. In particular, the NBB intends to focus its communication on the following aspects: • The targeted risks have decreased but remain significant (see 4.1. below) • The already built-up buffer can thus be somewhat reduced.
3.4 Timing for application	What is the intended date of application of the measure? 01/04/2024
3.5 Phasing in	No phase-in is foreseen
3.6 Review/deactivation of the measure	**Until when will the measure presumably be in place? What are the conditions for its deactivation? On what indicators would the decision be based? Please specify whether you intend to review the measure before the maximum period of two years foreseen in Article 133(8)(b) CRD.** A measure inducing a macroprudential capital buffer for the abovementioned exposures is in place in Belgium since 2013, based on Art.458 CRR between 2014 and 2022, and since then under the form of a sectoral systemic risk buffer. The measure is expected to remain in place until targeted risks materialise or disappear. In the event for example of a shock affecting the housing market or inducing a steep rise in unemployment, the release of the buffer, when a substantial increase in payment difficulties for mortgage borrowers is observed, should ensure that, on the one hand, banks can recognise losses in a timely manner while remaining resilient, and that, on the other hand, banks are able to proactively provide sustainable solutions to over-indebted customers; which would reduce the risk of a crisis in the housing market due to a sharp rise in payments defaults and evictions. The NBB intends to keep on reviewing the level of the buffer looking forward, based on observed changes in the risk in the stock of targeted exposures,

<table>
<tr><td></td><td>taking i.a. into account the further positive impact of the NBB prudential expectations on the credit quality of the new mortgage credit production and on the stock of loans.</td></tr>
<tr><td colspan="2">4. Reasons for the notified SyRB</td></tr>
<tr><td>4.1 Description of the macroprudential or systemic risk in your Member State

(Article 133(9)(a) of the CRD)</td><td>Where applicable, please classify the risks targeted by the notified SyRB under the following categories:

(i) risks stemming from the structural characteristics of the banking sector
- Size and concentration of banks
- Ownership structure
- Other structural risks
(ii) risks stemming from the propagation and amplification of shocks within the financial system
- Exposure concentration/asset commonality
- Commonality in bank business models
- Financial interconnections and contagion
(iii) risks to the banking system stemming from either the real economy or specific sectors
- Economic openness
- <u>Sectoral risks from the private non-financial sector, households and the public sector</u>
(iv) Other risks

Please specify:
- Whether these risks are widespread across the whole financial sector?
- Or whether they are concentrated only in one or more subsets of the sector?

Since the introduction of its macroprudential measure (based on Article 458 until 2022 and since then under the form of a SSyRB), the NBB has been closely monitoring developments on the Belgian real estate market, the sustainability of household indebtedness and the quality of banks' loan portfolios. This monitoring indicates that, in the event of an important price correction/decline for residential real estate and/or a major shock to unemployment, banks may suffer major credit losses on their mortgage portfolios. While the level of the risk is assessed to have decreased since 2022, it remains significant (see section 4.4. below).

The latest risk assessment leads to the following findings: (i) continued expansion and significant size of banks' exposures to mortgage lending to Belgian households, secured by low capital buffers as a consequence of the low microprudential risk weights applied by IRB banks against these exposures; (ii) persistent but decreasing signs of overvaluation and downside risks in housing prices; (iii) persistently high household indebtedness; and (iv) improving credit quality.

The overall risk assessment is driven by the following developments: on the one hand, persistently high vulnerabilities in the Belgian residential real estate market mostly built-up during the low interest rate environment era; and on the other hand, a significant improvement in the risk profile of the new mortgage</td></tr>
</table>

	loan production since the introduction of the NBB prudential expectations. While the NBB assesses that the overall risk has decreased (see 4.4. below), it remains significant. i. Continued expansion and significant size of banks' exposures to mortgage lending to Belgian households, secured by low IRB risk weights Resident banks are increasingly exposed to the Belgian RRE market and continue to expand their mortgage portfolios. Total outstanding mortgage loans granted by Belgian banks to Belgian households grew from € 169 billion at the end of 2014 to € 247 billion at the end of 2021 and to € 262 billion at the end of 2022, which corresponds to an increase from 15% to about 20% of banks' total assets over the period. Expressed in terms of CET1 capital, these exposures rose from 362% to 440% over the same period. In a context of significant vulnerabilities, low microprudential risk weights (9%) applied by IRB banks to RRE exposures are from a macroprudential perspective a source of concern. It must however be noted that the low level of the microprudential risk weights results mainly from the absence of major corrections in the Belgian RRE market during the period on which banks' internal models are based. The intended measure ensures the holding of capital buffers — commensurate with the increasing IRB banks' residential real estate exposures — that are deemed sufficiently high to absorb a potential increase in credit losses on Belgian mortgage loan exposures (see also calibration in 4.4. below). ii. Persistent but decreasing signs of overvaluation in housing prices Nominal property prices (for residential real estate) in Belgium have more than tripled since 2000, without experiencing any major price correction – not during the global financial crisis and also not in 2022-2023 (unlike several other EU countries). The average yearly growth rate is 5% since 2000. In real terms, the average growth rate is 3%. Corresponding values for the euro area are 3.5% (nominal) and 1.5% (real). Recently, after having gone as high as 10% in the third quarter of 2021, the year-on-year nominal growth rate of housing prices decelerated in 2022, to 4% in the first quarter of 2023. In real terms, on a year-on-year basis, it has been negative since Q2 2022. In the past, RRE price developments have been more dynamic than justified by changes in fundamentals, leading to signs of persistent overvaluation in the Belgian RRE market. While remaining sizeable, the computed overvaluation decreased recently. The NBB uses a model-based time series approach to explain (real) house price developments based on a number of key determinants, including interest rates, real disposable income, characteristics of mortgage loans, the tax regime applicable to residential property and demographic developments. To the extent that these determinants are considered to reflect their (long-run) equilibrium value, the model's residuals can be used to assess over- and undervaluation in the Belgian residential real estate market. In 2021, the model suggested an overvaluation of RRE prices close to 20%. Thereafter, the

	overvaluation of Belgian RRE prices started to decrease falling back to 12 % in the first quarter of 2023. iii. Persistence of household indebtedness The debt ratio of households increased gradually from 39% in 2002 to 63% GDP at the beginning of 2021. It then fell back (GDP effect) to 61% at the end of 2022. The recent decrease was driven by an increase in GDP rather than a decline in debt. Despite recent developments, Belgian households' debt ratio exceeds the euro area average debt ratio and still raises some concerns about debt sustainability. iv. Improving credit quality in the stock of loans The dynamism observed in the past on the Belgian market went – between 2014 and 2019 – hand in hand with a deterioration in lending standards. This led in the mortgage portfolios to risk pockets of over-indebted households which may be vulnerable in case of crisis/recession. The introduction in 2020 of the NBB's prudential expectations regarding new mortgage loans has been very successful during four successive years and led to significant tightening of lending conditions. In fact, banks even over-comply with the measure and did not make full use of the margin allowed to grant loans with higher LTVs. Given the high new production amount until mid-2022, the expectations did not only lead to an improvement of the credit quality of new mortgage loans but also to lower credit risks in the mortgage stock, in particular of the so-called pockets of risk that combine high LTV, high DSTI and/or long maturity. Hence, for instance, the share of loans in the portfolios with current-LTV metrics higher than 80% decreased for instance from 25% at the end of 2019 to 15% at the end of 2022. Pockets of risk also decreased markedly over the period. For instance, the share of outstanding loans combining a LTV > 90%, a debt-service-to-income (DSTI) ratio > 30% and a maturity longer than 20 years declined from 16.6% at the end of 2019 to 12.7% at the end of 2022. The share of outstanding loans combining a LTV > 90% and a DSTI ratio > 50% declined from 6.2% to 3.9%. By the time the SSyRB will be recalibrated (April 2024), the NBB prudential expectations would thus have been in place for four full years. The positive impact of the measures on the stock's risk profile is expected to be higher by then than observable at the end of 2022.
4.2 Reasons why the dimension of the macroprudential or systemic risks threatens the stability of the financial system in your Member State **(Article 133(9)(b) CRD)**	Given the current – even though decreasing - level of vulnerabilities, a more severe downturn in the Belgian residential real estate market than expected (hard landing) may have a substantial impact on Belgian credit institutions' solvency positions (given the importance of residential mortgage loan portfolios in the balance sheet of Belgian credit institutions - around 20% of total assets and 440% of CET1 capital, on average). This may in turn bring further unfavourable consequences for the Belgian real economy (potentially amplified by relatively high household leverage).
4.3 Indicators used for activation of the measure	**Provide the indicators triggering activation of the measured. When notifying the ECB, please provide the data on which the decision is based, if possible (preferably in an Excel file).** The main indicators are:

	• house prices, including indicators for price valuation • household debt ratio • mortgage loan growth • credit standards (LTVs, DSTIs, mortgage loan maturity, banks' interest rate margins, etc.) • risk weights
4.4 Effectiveness and proportionality of the measure **(Article 133(9)(c) CRD)**	**Explanation why the draft measures are deemed likely to be effective and proportionate to mitigate the risk. E.g. how will the effectiveness of the measure be assessed? Based on which indicators? What are the expected transmission mechanisms?** The measure is effective in maintaining banks' resilience in a context of persisting vulnerabilities. It directly acts on – and increases – CET1 capital demand of IRB banks for RRE portfolios, for which microprudential risk weights are deemed too low compared to the observed systemic risks in the residential real estate markets by targeting the stock risks in banks' RRE exposures — by providing sufficient capital buffers (securing resilience in the banking sector) to overcome a severe downturn scenario (see section "Calibration" below). Such a severe downturn scenario would impact banks' solvency position by impacting both borrowers' repayment capacity (PDs) and collateral values (LGD). The measure is proportionate. No signs of any strong impact on overall credit supply (neither in pricing nor in volume terms) and, indirectly, on the real economy have been observed during the period of application of the capital buffer, nor have any signs of disruption of the Single Market (through cross-border spillovers). We see no reason why these impacts would be different when reducing the overall capital buffer. Moreover, this capital-based measure is complementary to the NBB prudential expectations, addressing the flow risks in new mortgage loans. The NBB is closely monitoring the observed systemic risks in mortgage portfolios and RRE markets and signs of their potential materialisation. The NBB will consider the release of the measure if the conditions for a suitable release of the measure are met. The NBB will consider immediate withdrawal of the measure if, for example, there is a significant increase in payment difficulties for mortgage borrowers. The exact release modalities will be based on specific market developments. If released, this buffer should serve not only to absorb losses due to payment defaults, but also to fund solutions for customers with repayment problems in order to avoid generating a huge wave of payment defaults, evictions and forced property sales. <u>Calibration</u> The measure primarily aims at enhancing the resilience of Belgian IRB banks to potential (severe) downward corrections in residential real estate markets against the background of high credit exposures of Belgian households (and banks) and signs of overvaluation in real estate. For this reason, the calibration of the current measure has been based – since the first introduction of capital buffer for Belgian IRB mortgage loans - on an assessment of credit losses under stress scenarios for the real estate market. These scenarios stress both PDs (using crisis episodes in other European

	countries as a benchmark) and LGDs (through the application of a severe add-on). Taking into account the improvement in the LTV profile of the stock of loans and lower overvaluation, the NBB updated the sensitivity/scenario analysis with a somewhat reduced stress on LGD than was the case before. The update confirmed that microprudential capital requirements (implied by microprudential risk weights) remain insufficient to cover all potential (macroprudential) losses under severe (macroprudential) stress scenarios but that a buffer rate of 6% (rather than the 9% currently applied) would be justified and sufficient to cover the simulated losses – at sector level. While a downward recalibration of the buffer could already have been justified over the last two years, the NBB decided to adopt a cautious approach, and to maintain the macroprudential buffer at its level at sectoral level. The total impact of the proposed measure (6% SSyRB) on IRB banks' CET1 capital is estimated at € 1,3 billion (compared to € 2,0 billion if the 9% buffer rate is maintained). The SSyRB remains significant and corresponds to an 49% increase in the capital buffer compared to the microprudential CET1 capital requirements for this portfolio.
4.5 Reason why the systemic risk buffer is not duplicating the functioning of the O-SII buffer provided for in Article 131 CRD **(Article 133(9)(f) CRD)**	**Where the systemic risk buffer rate applies to all exposures, please justify why the authority considers that the systemic risk buffer is not duplicating the functioning of the O-SII buffer provided for in Article 131 CRD.** The intended buffer focuses on IRB retail exposures secured by residential immovable property for which the collateral (immovable property) is located in Belgium
5. Sufficiency, consistency and non-overlap of the policy response	
5.1 Sufficiency of the policy response	**For a macroprudential policy to be 'sufficient', the policy responses must be deemed to significantly mitigate, or reduce the build-up of, risks over an appropriate time horizon with a limited unintended impact on the general economy.** **Note that the ESRB will use this assessment of the macroprudential stance as relevant input in assessing the sufficiency of the macroprudential policy in the Member States.** **Please provide any additional information that the ESRB should consider in assessing the sufficiency of the policy response.** See title "Calibration" under section 4.4. above. The measure is assessed to be sufficient as the macroprudential buffer it creates allows to absorb direct credit losses simulated under severe scenarios. No unintended impact on the general economy is expected as 1° the measure did not lead to any such effect in the past and 2° the NBB intends to reduce the size of the current capital buffer.
	For a macroprudential policy to be 'consistent', the policy instruments must be deemed to meet their respective objectives as outlined in

5.2 Consistency of application of the policy response	**ESRB/2013/1[3] and must be implemented in accordance with the common principles set out in the relevant legal texts.** **Note that the ESRB assessment of consistency will consider whether the same systemic risks are addressed in a similar way across and within the Member States over time.** **Please provide any additional information that the ESRB should consider in assessing the consistency of the policy response.** [/
5.3 Non-overlap of the policy response	**For a policy instrument to be 'non-overlapping', it should aim to address a systemic risk that either differs to the risk addressed by other active tools in the same Member State, or to be complementary to another tool in that Member State which addresses the same systemic risk.** - **Are other policy instruments used to address the same systemic risk?** - **If yes, please explain the need for more than one instrument to address the same systemic risk and how the different instruments interact with each other.** The intended instrument is not assessed to be overlapping with other tools. This measure focuses on direct (first round) credit losses that could occur in IRB banks' Belgian mortgage loan portfolios. The CCyB could aim to cover, next to other cyclical risks, potential spillovers (second-round effects) from RRE developments (e.g. on CRE market).
6. Cross-border and cross-sector impact of the measure	
6.1 Assessment of cross-border effects and the likely impact on the Internal Market **(Article 133(9)(d) of the CRD and Recommendation ESRB/2015/2[4])**	**Assessment of the cross-border effects of implementation of the measure.** **a. Assessment of the spillover channels operating via risk adjustment and regulatory arbitrage. The relevant indicators provided in Chapter 11 of the ESRB Handbook on Operationalising Macroprudential Policy in the Banking Sector[5] and the [Framework to assess cross-border spillover effects of macroprudential policies] of the ECB Task Force on cross-border spillover effects of macroprudential measures can be used.** **b. Assessment of the:** ○ **cross-border effects of implementation of the measure in your own jurisdiction (inward spillovers);** ○ **cross-border effects on other Member States and on the Single Market of the measure (outward spillovers);**

[3] Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1) (OJ C 170, 15.6.2013, p. 1).
[4] Recommendation 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 (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).
[5] Available on the ESRB's website at www.esrb.europa.eu.

	○ **overall impact on the Single Market of implementation of the measure.** The measure applies only to the Belgian residential market and there is no indication that it has had any significant impact on individuals or companies outside Belgium in the past. In addition, in view of the importance of cross-border banking groups in Belgium and the degree of openness of the economy, safeguarding financial stability in Belgium will also have positive effects on financial stability in Europe Since the implementation of the macroprudential measure, the NBB has not observed any signs of negative impact on the Internal Market that would outweigh the financial stability benefits resulting in a reduction of the macroprudential or systemic risk identified. There is no reason to expect this observation to change when reducing the size of the SSyRB.
6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	**Referring to your Member State's specific characteristics, what is the scope for "leakages and regulatory arbitrage" in your own jurisdiction (i.e. circumvention of the measure/leakages to other parts of the financial sector)?** **Is there scope for "leakages and regulatory arbitrage" in other jurisdictions?** The impact on other sectors of the financial system will continue to be closely monitored, especially among insurance companies, as capital requirements are lower for part of these of exposures for insurance companies, raising the risks of leakages in the context of financial conglomerates in Belgium. The current measure has not led to any observation of substantial leakage to the non-bank sector. It is not expected that this would change when the size of the buffer is reduced.
6.3 Request for reciprocation by other Member States **(Article 134(5) CRD and Recommendation ESRB/2015/2)**	**Does the authority intend to ask the ESRB to issue a recommendation to other Member States to reciprocate the measure in accordance with Article 134(5) CRD?** Yes - If yes, please provide in Section 6.4. the justification for that reciprocity. - If no, what are the reasons for not requesting reciprocation?
6.4 Justification for the request for reciprocation by other Member States **(Article 134(5) CRD and Recommendation ESRB/2015/2)**	**To request reciprocation, please provide the following:** - **a concise description of the measure to be reciprocated;** - **the financial stability considerations underlying the reciprocity request, including the reasons why the reciprocity of the activated measure is deemed necessary for its effectiveness;** - **the proposed materiality threshold and justification for that level.** **If the ESRB deems the request for reciprocation to be justified, the description provided will form the basis for translation into all EU official languages for the purposes of an update of Recommendation ESRB/2015/2.**

	In view of the systemic nature of the identified risks and the international character of the Belgian banking sector, the NBB asks the ESRB to recommend that other Member States recognise the measure. Ideally, the measure should be reciprocated using the exact same scope as the NBB measure, i.e. IRB retail exposures secured by residential immovable property for which the collateral (immovable property) is located in Belgium (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 (both non-defaulted and defaulted exposures). In order to avoid disproportionate implementation costs for reciprocating Member States, the NBB suggests to set an institution-level maximum materiality threshold of € 2 billion to be applied when reciprocating the measure, ensuring coherence with the materiality threshold used until now.

7. Combination of the SyRB with other buffers

7.1 Combination with G-SII and/or O-SII buffers

(Article 131(15) CRD)

Is the sum of the systemic risk buffer rate and the higher of the O-SII/G-SII buffer rates to which the same institution is subject above 5%?

Please provide a list of the institutions subject to a G-SII or an O-SII buffer, indicating the G-SII or O-SII buffer and the sum of the G-SII/O-SII and SyRB buffers (a combined buffer rate of over 5% requires authorisation by the Commission).

Name of institution	G-SII/O-SII buffer rate	O-SII consolidation level	Sum of G-SII/O-SII and SyRB rates
BNP Paribas Fortis SA/NV	1.5 %		7.5 %
KBC Bank NV	1.5 %		7.5 %
Belfius Bank SA/NV	1.5 %		7.5 %
ING Belgium NV	1.5 %		7.5 %
Crelan	0.75%		6.75%
AXA Bank Belgium	0.75%		6.75%
Argenta Spaarbank SA/NV	0.75%		6.75%

7.2 Combination with other systemic risk buffers

(Article 133(11) and (12) CRD)

Indicate all sets or subsets of exposures that would be subject to one or more systemic risk buffers with a combined systemic risk buffer rate in the ranges below:

- **above 3% and up to 5%**
- **above 5%**

Indicate whether any subsidiaries of a parent in another EU Member State would be subject to a combined systemic risk buffer rate above 3%.

No combination with other systemic risk buffers.

All institutions identified under section 2.1. above have a combined systemic risk buffer above 5%, including two subsidiaries (also identified under section 2.1. above)

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8. Miscellaneous

8.1 Contact person(s)/mailbox at notifying authority	Alexandre Francart – alexandre.francart@nbb.be Alexandre Reginster – alexandre.reginster@nbb.be Thomas Schepens – thomas.schepens@nbb.be
8.2 Any other relevant information	/
8.3 Date of the notification	Please provide the date on which this notification was uploaded/sent. 18/07/2023