Template for notifying national macroprudential measures not covered by CRR/CRD

Please send this template to

- notifications@esrb.europa.eu when notifying the ESRB;
- macropru.notifications@ecb.europa.eu when notifying the ECB.

Emailing this template to the above-mentioned addresses constitutes an official notification, no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows electronically copying the information.

1. Notifying national authority and scope of the notification		
1.1	Name of the notifying authority.	Banco de Portugal
1.2	Name of the macroprudential measure that is notified.	Amendment to the macroprudential Recommendation on new credit agreements for consumers, regarding: i. the original maturity limits on new personal loans and; ii. the exceptions on DSTI ratio above 50%.
2. Description of the measure		
2.1	Description of the measure.	The maturity limit on new personal loans is tightened from 10 years to 7 years with the exception of credit granted to education, health and renewable energies whose maturity limit is kept in 10 years provided that these purposes are duly evidenced. Therefore the original maturity limits on new consumer loans become the following: - 7 years for personal loans - 10 years for personal loans granted ~~t~~ for education, healthcare or renewable energy, provided that these purposes are duly evidenced - 10 years for car loans Additionally the exceptions on DSTI above 50% become the following: - up to 10% of the total amount of credit granted under this measure by each institution may be granted to borrowers with a DSTI of up to 60%;

Date of template version: 2016-03-01

		- up to 5% of the total amount of credit granted under this measure by each institution may exceed the limits laid down regarding the DSTI.
2.2	Legal basis and process of implementation of the measure.	Banco de Portugal is the macroprudential authority in Portugal, according to article 16-A of its Organic Law (law n.º 5/98, 31 January 1998, as amended by Decree-Law No. 118/2001 of 17 April 2001). The mandate for financial stability, which is enshrined in its Statutes, allows Banco de Portugal to implement Recommendations to the financial sector. The measure is adopted by Banco de Portugal as a Recommendation, based on the "comply or explain" principle. The credit institutions targeted must respect the limits applied; otherwise they must justify their non-compliance. Banco de Portugal will assess the adequacy of the justifications presented by the credit institutions.
2.3	Coverage	The Recommendation applies to all credit institutions and financial companies that have head offices or branches in the Portuguese territory.
2.4	Any other relevant information.	The following related legislative measures were also taken into account: • Transposition of the Directive 2008/48/EU on credit agreements for consumers, by Decree-law 133/2009 of 2 June. • Transposition of the Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property, by Decree-law 74-A/2017 of 23 June. • Issuance of Notice 4, of 22 September, 2017, establishing procedures and criteria to be observed by credit institutions on the assessment of the affordability of consumers, according to EBA guidelines of creditworthiness assessment.

3. Timing		
3.1	Timing of the decision	29 January 2020
3.2	Timing of the publication	31 January 2020
3.3	Disclosure	Banco de Portugal conducted several meetings with relevant stakeholders such as Associação Portuguesa de Leasing, Factoring e Renting (ALF), Associação Portuguesa de Bancos (APB), Associação de Instituições de Crédito Especializado (ASFAC) and Associação Portuguesa para a Defesa do Consumidor (DECO), in order to gather complementary information to calibrate this change in the measure. In addition, the National Council of Financial Supervisors, under Article 2 (3) (c) of Decree-Law No 143/2013 of 18 October 2013 was consulted. The amended Recommendation was published on a dedicated webpage in Banco de Portugal website and will be published in the Official Journal.
3.4	Timing of the application	1 April, 2020
3.5	End date (if applicable)	Not applicable
4. Reason for the activation of the measure		
4.1	Description of the macroprudential risk to be addressed.	In the past two years Banco de Portugal has been monitoring developments in credit origination activity, so as to ensure the effectiveness of the Recommendation. The maintenance of the upward trend of the average maturity and average amount of new consumer loans, in particular personal loans, poses an increased risk for the financial system, as it implies that borrowers will be exposed to fluctuations in the business cycle for longer periods.

		These developments occurred amid: a still high household indebtedness level; a protracted very low interest rate environment, which may encourage search-for-yield behaviour materialised in an easing of credit standards; and high consumer confidence level, supported by expectations of continued growth in disposable income that strengthens credit demand. However, the current economic environment is characterised by high uncertainty and a slowdown in economic activity. In fact, projections for economic growth published by Banco de Portugal and the main international organisations have been revised downwards, with risks to economic activity mostly on the downside.
4.2	Description of the indicators on the basis of which the measure is activated.	DSTI ratios and maturity of consumer loans were drawn from several databases on the characteristics of individual consumer loans, in particular data from: • Consumer credit, from Instruction 14/2013 • Consumer credit from the Portuguese Central Credit Register
4.3	Effects of the measure.	We expect the measure to contribute to the adoption of sounder lending standards by credit institutions, thereby enhancing the resilience of the financial sector and promoting households' access to sustainable financing. With this amendment of the Recommendation, Banco de Portugal expects that, in the medium term, the changes introduced foster the reduction of borrowers' probability of default, improving the quality of the institutions' credit portfolio. This effect is particularly significant given the borrowers' vulnerability to a potential deterioration in labour market conditions.
5. Cross-border and cross-sector impact of the measure		
5.1	Assessment of cross-border effects and the likely impact on the internal market (Article 133(11)(d) of the CRD IV and Recommendation ESRB/2015/2)	Cross-border effects are not expected. The measure is directly applicable to new loans granted within the Portuguese jurisdiction, irrespective of whether the lender is domestic or foreigner. In addition, loans to resident households granted directly from abroad or loans to non-resident households granted

		by domestic institutions are residual, limiting the scope for both inward and outward spillovers.
5.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	The scope for leakages and regulatory arbitrage should be minimal given that: • The coverage of creditors includes all providers of new loans within the Portuguese jurisdiction, • The measure is applicable to both consumer and mortgage loans, minimising the possibility of circumventing the limits applied to mortgages with consumer loans.
5.3	Request for reciprocation	No, given the above-mentioned information in 5.1 and 5.2.
6. Miscellaneous		
6.1	Contact person(s) at notifying authority.	Ana Cristina Leal Head of Financial Stability Department + 351 21 1597083 aleal@bportugal.pt Fátima Silva Head of macroprudential policy division +351 211597024 mfsilva@bportugal.pt
6.2	Any other relevant information.	https://www.bportugal.pt/en/page/ltv-dsti-and-maturity-limits