

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

Please send this template to

- [notifications@esrb.europa.eu](mailto:notifications@esrb.europa.eu) when notifying the ESRB;
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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.	Seðlabanki Íslands (Central Bank of Iceland)
1.2	Name of the macroprudential measure that is notified.	Rules on maximum loan-to-value requirements for new residential mortgage loans
2. Description of the measure		
2.1	Description of the measure.	The rules contain a loan-to-value cap on new residential mortgage loans to consumers: <ul style="list-style-type: none"> <li>• 80% LTV limit (tightened from 85%)</li> <li>• 90% LTV limit for first time buyers (unchanged)</li> </ul>
2.2	Legal basis and process of implementation of the measure.	Rules no. xxx/2021 based on Article 25 of law no. 118/2016 on mortgage loans to consumers. The Central Bank of Iceland sets the rules following approval of the Financial Stability Committee.  The new rules replace rules no. 666/2017 on the maximum loan-to-value of mortgages loans to consumers.
2.3	Coverage	All institutions extending mortgage loans to consumers, which includes: <ul style="list-style-type: none"> <li>• Banks</li> <li>• The Housing and Construction Authority</li> <li>• Pension funds</li> <li>• Registered creditors</li> </ul>

2.4	Any other relevant information.	
<b>3. Timing</b>		
3.1	Timing of the decision	29 June 2021
3.2	Timing of the publication	30 June 2021
3.3	Disclosure	Published by Central Bank of Iceland: <a href="https://www.cb.is/publications/news/news/2021/06/30/Statement-of-the-Financial-Stability-Committee-30-June-2021/">https://www.cb.is/publications/news/news/2021/06/30/Statement-of-the-Financial-Stability-Committee-30-June-2021/</a>
3.4	Timing of the application	30 June 2021
3.5	End date (if applicable)	
<b>4. Reason for the activation of the measure</b>		
4.1	Description of the macroprudential risk to be addressed.	Recently housing market imbalances have increased due to a mismatch between supply and demand. Housing prices have risen rapidly in recent months and household real credit growth has been on the rise. The Financial Stability Committee considers the above-specified measure conducive to safeguarding households' and borrowers' resilience and counteract an increase of systemic risk.
4.2	Description of the indicators on the basis of which the measure is activated.	Housing market supply and demand indicators Housing price growth Household debt indicators Central Bank of Iceland's residential mortgage lending survey

4.3	Effects of the measure.	The measure is intended to strengthen the resilience of borrowers and mortgage lenders. The measure will limit high-LTV lending to households.
<b>5. Cross-border and cross-sector impact of the measure</b>		
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)	There is very limited cross border mortgage lending to Iceland so the transmission channel is considered very weak. No cross-border effects or impact on the internal market are therefore foreseen.
5.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	The measure is based on national law that covers all mortgage lending, not only banks but also the Housing and Construction Authority and pension funds, which are very active in the mortgage market. Furthermore, to operate in the mortgage market in Iceland registration is required with the Central Bank of Iceland. The rules also apply to all registered creditors. Therefore regulatory arbitrage is not a potential risk.
5.3	Request for reciprocation	According to national law the regulation applies to all mortgage lenders in Iceland, both domestic as well as Icelandic branches of foreign banks. Direct cross-border mortgage lending to Icelandic households is very limited, if any. Therefore it has been deemed unnecessary to request reciprocation.
<b>6. Miscellaneous</b>		
6.1	Contact person(s) at notifying authority.	Einar Jón Erlingsson +354 569 9600 <a href="mailto:einar.jon.erlingsson@sedlabanki.is">einar.jon.erlingsson@sedlabanki.is</a>  Jón Guðjónsson +354 569 9600 <a href="mailto:jon.gudjonsson@sedlabanki.is">jon.gudjonsson@sedlabanki.is</a>

6.2	Any other relevant information.	
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