ECB-PUBLIC

OPINION OF THE EUROPEAN SYSTEMIC RISK BOARD

of 26 February 2020

regarding Belgian notification of an extension of the period of application of a stricter national measure based on Article 458 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms

(ESRB/2020/2)

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(2)(j) thereof,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012[2], and in particular Article 458(4) and (9) thereof,

Having regard to Decision ESRB/2015/4 of the European Systemic Risk Board of 16 December 2015 on a coordination framework for the notification of national macroprudential policy measures by relevant authorities, the issuing of opinions and recommendations by the ESRB, and repealing Decision ESRB/2014/2[3],

Whereas:

(1) The Nationale Bank van België/Banque Nationale de Belgique (NBB/BNB), acting as designated authority for the purpose of Article 458 of Regulation (EU) No 575/2013, informed the European Systemic Risk Board (ESRB) on 27 January 2020 of its decision to extend for one additional year, in accordance with Article 458(9) of that Regulation, the period of application of its existing stricter national measure which has been in force since 1 May 2018.

(2) The existing stricter national measure concerns risk weights for targeting asset bubbles in the residential property sector (Article 458(2)(d)(vi) of Regulation (EU) No 575/2013). The measure imposes a macroprudential risk weight add-on on all domestic credit institutions using the internal ratings-based (IRB) approach for calculating regulatory capital requirements and whose retail exposures are secured by residential immovable property situated in Belgium. The macroprudential add-on consists of two components. The first component imposes a 5 percentage point risk weight add-on for the exposures of credit institutions using the IRB approach to Belgian residential

1 OJ L 331, 15.12.2010, p. 1.
2 OJ L 176, 27.6.2013, p. 1.
3 OJ C 97, 12.3.2016, p. 28.

mortgage loans. The second, more targeted, component further increases the risk weights depending on the risk profile of the residential mortgage portfolios of credit institutions using the IRB approach, by applying a multiplier of 1.33 to the microprudential risk weight of the residential mortgage loan portfolio.

(3) In Opinion ESRB/2018/2 of the European Systemic Risk Board[4], the ESRB assessed the draft stricter national measure as justified, suitable, proportionate, effective and efficient under the circumstances that existed at the time of the assessment. In addition, it was the ESRB's assessment that the draft stricter national measure did not have a negative impact on the internal market that outweighed the financial stability benefits resulting in a reduction of the macroprudential or systemic risk identified.

(4) On 27 June 2019 the ESRB adopted Recommendation ESRB/2019/4 of the European Systemic Risk Board[5], which identified vulnerabilities related to household indebtedness, overvaluation of house prices and lending standards in the medium term in Belgium. In order to address these vulnerabilities, which can be a source of systemic risk, and to complement the macroprudential measures in place at the time, further policy action was recommended by the ESRB through the activation of legally binding borrower-based measures. Therefore, the ESRB Recommendation while recommending further action to address vulnerabilities arising from new residential mortgage loans, also acknowledged that the existing stricter national measure on risk weights for credit institutions using the IRB approach was still necessary to address the prevailing risks related to the stock of residential mortgage loans.

(5) Taking into account the opinions provided by the ESRB and the European Banking Authority in line with the procedure set out in Article 458 of Regulation (EU) No 575/2013, the Commission decided on 20 March 2018 not to propose to the Council an implementing act to reject the draft stricter national measure. In the absence of such an implementing act, the draft stricter national measure became applicable from 1 May 2018.

(6) Following a request by the NBB/BNB to the ESRB under Article 458(8) of Regulation (EU) No 575/2013, the General Board of the ESRB decided on 16 July 2018 to include this stricter national measure in the list of macroprudential policy measures which are recommended to be reciprocated under Recommendation ESRB/2015/2 of the European Systemic Risk Board[6].

(7) To assess the extension of the period of application of the existing stricter national measure notified by the NBB/BNB, the ESRB's assessment team referred to in Decision ESRB/2015/4 issued an assessment note, which is annexed hereto,

HAS ADOPTED THIS OPINION:

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4 Opinion ESRB/2018/2 of the European Systemic Risk Board of 16 February 2018 regarding Belgian notification of a stricter national measure based on Article 458 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, available on the ESRB's website.

5 Recommendation ESRB/2019/4 of the European Systemic Risk Board of 27 June 2019 on medium-term vulnerabilities in the residential real estate sector in Belgium (OJ C 366, 30.10.2019, p. 1).

6 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).

1. The extension of the period of application of the existing stricter national measure applicable in Belgium is, under the current circumstances, assessed as justified, suitable, proportionate, effective and efficient. In particular:
   (a) the changes in the intensity of macroprudential or systemic risk continue to be of such nature as to pose risk to financial stability at national level;
   (b) Articles 124 and 164 of Regulation (EU) No 575/2013 and Articles 101, 103 to 105, 133, and 136 of Directive 2013/36/EU of the European Parliament and of the Council[7] do not seem to adequately address the macroprudential or systemic risk identified, taking into account the relative effectiveness of those measures;
   (c) the stricter national measure does not entail disproportionate adverse effects on the whole or parts of the financial system in other Member States or in the Union as a whole, thus forming or creating an obstacle to the functioning of the internal market;
   (d) the issue concerns only one Member State;
   (e) the risks have not already been addressed by other measures in Regulation (EU) No 575/2013 or in Directive 2013/36/EU.
2. The stricter national measure does not have a negative impact on the internal market that outweighs the financial stability benefits resulting in a reduction of the macroprudential or systemic risks identified.
3. The attached assessment note entitled 'Assessment of the Belgian notification in accordance with Article 458 of Regulation (EU) No 575/2013 concerning the extension of a stricter national measure for residential mortgage lending' is an integral part of this Opinion.

Done at Frankfurt am Main, 26 February 2020.

Francesco Mazzaferro

Head of the ESRB Secretariat, on behalf of the General Board of the ESRB

Francesco MAZZAFERRO

7 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 and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).