

**OPINION OF THE EUROPEAN SYSTEMIC RISK BOARD**

**of 31 May 2023**

**regarding the Estonian 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 amending Regulation (EU) No 648/2012  
(ESRB/2023/2)**

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<sup>1</sup>, 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 amending Regulation (EU) No 648/2012<sup>2</sup>, 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<sup>3</sup>,

Whereas:

- (1) Eesti Pank, acting as designated authority for the purpose of Article 458 of Regulation (EU) No 575/2013, notified the European Systemic Risk Board (ESRB) on 02 May 2023 of its intention to extend for an additional two years, in accordance with Article 458(9) of that Regulation, the period of application of its existing stricter national measure for credit institutions using the internal ratings based (IRB) approach.
- (2) The existing stricter national measure, which has been in force since 30 September 2019 and was extended for a further two years with effect from 30 September 2021<sup>4</sup>, consists of the imposition, on

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<sup>1</sup> OJ L 331, 15.12.2010, p. 1.

<sup>2</sup> OJ L 176, 27.6.2013, p. 1.

<sup>3</sup> OJ C 97, 12.3.2016, p. 28.

<sup>4</sup> Opinion ESRB/2021/5 of the European Systemic Risk Board of 17 June 2021 regarding Estonian 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, available on the ESRB's website at [www.esrb.europa.eu](http://www.esrb.europa.eu).

credit institutions using the IRB approach authorised in Estonia, of a credit institution-specific minimum level (floor) of 15 % for the exposure-weighted average of the risk weights applied to the portfolio of retail exposures to obligors residing in Estonia secured by mortgages on immovable property.

- (3) In its Opinions ESRB/2019/2 of the European Systemic Risk Board<sup>5</sup> and ESRB/2021/5 of the European Systemic Risk Board, the ESRB assessed the draft stricter national measure as justified 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 risks identified.
- (4) 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 European Commission decided on 26 August 2019, and on 13 July 2021, respectively, not to propose to the Council an implementing act to reject the draft stricter national measure<sup>6</sup>. In the absence of such an implementing act, the draft stricter national measure became applicable from 30 September 2019 and was extended as referred to above.
- (5) To assess the extension of the period of application of the existing stricter national measure notified by Eesti Pank, the ESRB's assessment team referred to in Decision ESRB/2015/4 issued an assessment note, which is annexed hereto,

HAS ADOPTED THIS OPINION:

1. The extension of the period of application of the existing stricter national measure pursuant to Article 458(2)(d)(iv), consisting of the imposition, on all domestic credit institutions using the IRB approach, of a credit institution-specific minimum level (floor) of 15 % for the exposure-weighted average of the risk weights applied to the portfolio of retail exposures to obligors residing in Estonia secured by mortgages on immovable property, applicable in Estonia 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;

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<sup>5</sup> Opinion ESRB/2019/2 of the European Systemic Risk Board of 13 May 2019 regarding Estonian 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 at [www.esrb.europa.eu](http://www.esrb.europa.eu).

<sup>6</sup> Commission Decision of 26 August 2019 not to propose an implementing act to reject the draft national measure notified on 15 April 2019 by Estonia under Article 458(4) of Regulation (EU) No 575/2013 of the European Parliament and of the Council C(2019) 6216 and Commission Decision of 13 July 2021 not to propose an implementing act to reject the intended extension of the period of application of the national measure notified on 18 May 2021 by Estonia under Article 458(9) in conjunction with Article 458(4) of Regulation (EU) No 575/2013 of the European Parliament and of the Council C(2021) 5123, available upon request.

- (b) the macroprudential tools set out in Regulation (EU) No 575/2013 and in Directive 2013/36/EU of the European Parliament and of the Council<sup>7</sup> are less suitable and effective than the existing stricter national measure applicable in Estonia to deal with the macroprudential or systemic risk identified;
  - (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 and thus does not form or create an obstacle to the functioning of the internal market;
  - (d) the issue concerns only one Member State.
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 risk identified.
  3. The attached assessment note entitled 'Assessment of the Estonian notification in accordance with Article 458 of Regulation (EU) No 575/2013 concerning the application of a stricter national measure for residential mortgage lending' is an integral part of this Opinion.

Done at Frankfurt am Main, 31 May 2023



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

Francesco MAZZAFERRO

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<sup>7</sup> 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 (OJ L 176, 27.6.2013, p. 338).