



Analysis

In January 2022, the National Bank of Belgium (NBB), as the Belgian macroprudential authority, submitted a request to the European Systemic Risk Board (ESRB) for reciprocation of the sectoral measure adopted, which applies a 9% systemic risk buffer rate to all retail exposures to natural persons secured by residential immovable property located in Belgium using the internal ratings-based approach (hereinafter “IRB”), in accordance with Article 133 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (hereinafter “CRD” – Capital Requirements Directive). This measure entered into force on 1 May 2022, replacing a previous measure, under Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (hereinafter “CRR” - Capital Requirements Regulation), which made an adjustment to the risk weights of the residential real estate exposures of banks using the IRB approach.

Similarly to the measure applied under Article 458 of the CRR, the introduction of a sectoral systemic risk buffer aims to address risks to the Belgian residential real estate market. The NBB risk assessment highlights the following continued vulnerabilities:

- (i) prolonged expansion of housing credit secured by low capital buffers, reflecting the low risk weights applied to these exposures by banks using the IRB approach;
- (ii) growing signs of overvaluation and risk of a downward correction in house prices;
- (iii) rise in household indebtedness; and
- (iv) intense competition among credit institutions in the housing credit market, as a result of the low interest rate environment putting pressure on banks’ profitability.

The vulnerability context implies a risk of strong deceleration in the Belgian residential real estate market, which may have a considerable impact on the solvency of Belgian credit institutions. These developments may, in turn, have additional unfavourable consequences for the Belgian economy.

The new measure aims to ensure the resilience of the banking sector to a scenario of considerable stress in the Belgian residential real estate market. According to information provided by the NBB, the sectoral systemic risk buffer rate was calibrated so as to have an impact on the capital of banks using the IRB approach that is similar to that of the previous measure applied under Article 458 of the CRR, which has since been revoked.

After assessing the materiality of the exposures of each of the Portuguese credit institutions in question for purposes of reciprocation of this measure applied to the Belgian residential real estate market, the Banco de Portugal concluded that, as at the reference date of 31 March 2022, these exposures are not significant, taking into account the established threshold of €2 billion. Under the *de minimis* principle, the Banco de Portugal therefore decided to exempt Portuguese credit institutions from reciprocating this macroprudential measure.

This decision will remain in force for as long as the macroprudential measure applied by the NBB is in place, including any reviews thereof. The Banco de Portugal will regularly monitor the materiality of the relevant sectoral exposures of the Portuguese credit institutions in question.