

RECIPROCITY OF THE MACROPRUDENTIAL MEASURE APPLIED BY THE BUNDESANSTALT FÜR FINANZDIENSTLEISTUNGSAUFSICHT



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Analysis

On 10 March 2022 the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), as Germany's designated authority for the purposes of Article 133 of Directive 2013/36/EU, submitted a request to the European Systemic Risk Board (ESRB) for reciprocation of the macroprudential measure adopted. The measure consists in setting a systemic risk buffer rate of 2% for all exposures to natural and legal persons which are secured by residential property located in Germany. Credit institutions authorised in Germany must comply with the measure as of 1 February 2023. The systemic risk buffer is only requested from institutions whose relevant sectoral exposures exceed the materiality threshold of €10 billion. Accordingly, national authorities may opt not to reciprocate the measure when the relevant exposures of each domestic institution do not exceed this materiality threshold.

BaFin identified an ongoing increase in risks to financial stability from the residential real estate sector due to accelerated growth in house prices, with signs of overvaluation, coupled with an increase in credit granting. The materialisation of vulnerabilities in Germany's residential real estate market could lead to disruption in the financial system and the real economy. The sectoral measure is part of a package of measures that also includes a countercyclical buffer rate of 0.75% and a statement addressed to credit institutions recommending caution when granting housing loans. This package of measures aims to preventively increase the resilience of credit institutions and mitigate risks from the residential real estate market.

After assessing the materiality of the exposures of each of the Portuguese credit institutions in question for purposes of reciprocation of this measure, the Banco de Portugal concluded that, as at the reference date of 31 March 2022, these exposures stand significantly below the institution-specific materiality threshold of €10 billion established by BaFin. Under the de minimis principle and in accordance with the threshold set by Germany's designated authority, the Banco de Portugal 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 BaFin is in place, including any reviews thereof, provided that the exposures of each of the Portuguese credit institutions in question for purposes of the measure's reciprocity remain below the materiality threshold. The Banco de Portugal will regularly monitor the materiality of the exposures subject to this measure.