

# RECIPROCITY OF THE MACROPRUDENTIAL MEASURE APPLIED BY DE NEDERLANDSCHE BANK



28 JUL. 2022

## Analysis

On 23 November 2021, De Nederlandsche Bank (DNB) submitted a request to the European Systemic Risk Board (ESRB) for reciprocation of the measure applied 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). The macroprudential measure under review entered into force on 1 January 2022 and defines a minimum average risk weight for exposures secured by residential property located in the Netherlands addressed to credit institutions using the internal ratings-based approach (hereinafter “IRB”). The calculation is based on two components: the first assigns a 12% risk weight to the portion of the loan with a loan-to-value (LTV) ratio not exceeding 55%; the second assigns a 45% risk weight to the remaining portion of the loan, thus penalising loans with higher LTV ratios. The minimum average risk weight of the portfolio is the exposure-weighted average of the risk weights of the individual loans.

This measure is applied in a context where, according to DNB, there is a high level of indebtedness in the Netherlands related to housing loans characterised by very high LTV ratios, together with the use of low risk weights by institutions that use IRB approaches, and continued overvaluation of house prices. This measure aims to promote the resilience of domestic banks to a potential sharp reversal in the residential real estate market, in particular for those that use the IRB approach to calculate capital requirements. This risk weight floor for exposures secured by residential immovable property also took into account the ESRB Warning and Recommendation (ESRB/2016/10 and ESRB/2019/7 respectively) on medium-term vulnerabilities in the residential real estate sector of the Netherlands.

According to the assessment carried out by the Banco de Portugal, based on data as at 31 March 2022, the exposures of each of the Portuguese credit institutions in question to reciprocate the macroprudential measure proposed by the Dutch authority are non-material, taking into account the threshold of €5 billion established by this authority. 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 DNB is in place, including any reviews thereof. The Banco de Portugal will regularly monitor the materiality of the exposures subject to this measure.