

# Reciprocity of the macroprudential measure applied by the National Bank of Belgium



## Analysis

On 18 July 2023 the Nationale Bank van België/Banque Nationale de Belgique (NBB/BNB), as the Belgian macroprudential authority, submitted a request to the European Systemic Risk Board (ESRB) for reciprocation of the sectoral measure adopted. This measure consists in applying a 6% systemic risk buffer rate (instead of the current 9%) to retail exposures to natural persons secured by residential real estate located in Belgium of institutions whose capital requirements for credit risk are calculated 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 enters into force on 1 April 2024, replacing the systemic risk buffer rate of 9% applicable to these exposures up to 31 March 2024.

Ever since the Belgian macroprudential authority introduced the sectoral systemic risk buffer, the NBB/BNB has monitored developments in the Belgian real estate market, the sustainability of household indebtedness and the quality of banks’ loan portfolios. Although the overall risk assessment reflects a considerable improvement in the risk level since 2022 (particularly the reduction of LTV), the NBB/BNB risk assessment highlights the following points:

- (i) Prolonged expansion of housing credit maintained by a reduced capital level, reflecting the low risk weights applied to these exposures by banks using the IRB approach;
- (ii) Persistent, albeit decreasing signs of overvaluation of housing prices;
- (iii) Persistently high household indebtedness; and
- (iv) Improved credit quality.

Hence, although the NBB/BNB considers that the overall risk has declined, thus justifying the 6% buffer rate instead of the 9% that is currently applied, the risk level is still deemed significant. The Belgian macroprudential authority considers this buffer rate to be sufficient and appropriate to mitigate all potential losses in a significant stress scenario in the Belgian residential real estate market. This adjustment was accompanied by the activation of a countercyclical capital buffer (CCyB) rate that will be implemented as of 1 April 2024, with a level of 0.5%, which will be raised to 1% as of 1 October 2024.

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 30 December 2023, 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 measure applied by the Belgian macroprudential authority is in place and if the value of the exposures of each of the Portuguese credit institutions targeted by this measure remains below the materiality threshold established by the ESRB.