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► **B** **RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD**
of 15 December 2015
on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy
measures
(ESRB/2015/2)
(2016/C 97/02)
(OJ C 97, 12.3.2016, p. 9)

Amended by:

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► <u>M1</u>	Recommendation of the European Systemic Risk Board of 24 March 2016	C 153	1	29.4.2016
► <u>M2</u>	Recommendation of the European Systemic Risk Board of 24 June 2016	C 290	1	10.8.2016
► <u>M3</u>	Recommendation of the European Systemic Risk Board of 20 October 2017	C 431	1	15.12.2017
► <u>M4</u>	Recommendation of the European Systemic Risk Board of 8 January 2018	C 41	1	3.2.2018
► <u>M5</u>	Recommendation of the European Systemic Risk Board of 16 July 2018	C 338	1	21.9.2018
► <u>M6</u>	Recommendation of the European Systemic Risk Board of 5 December 2018	C 39	1	1.2.2019
► <u>M7</u>	Recommendation of the European Systemic Risk Board of 15 January 2019	C 106	1	20.3.2019

▼B**RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD**

of 15 December 2015

on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures**(ESRB/2015/2)**

(2016/C 97/02)

SECTION 1

RECOMMENDATIONS**Recommendation A – Assessment of cross-border effects of relevant authorities' own macroprudential policy measures**

1. The relevant activating authorities are recommended to assess, prior to their adoption, the cross-border effects of the implementation of their own macroprudential policy measures. At the very least, the spillover channels operating via risk adjustment and regulatory arbitrage should be assessed, using the methodology set out in Chapter 11 of the ESRB Handbook.
2. The relevant activating authorities are recommended to assess the possible:
 - (a) cross-border effects (leakages and regulatory arbitrage) of the implementation of macroprudential policy measures in their jurisdiction; and
 - (b) cross-border effects on other Member States and on the Single Market of any proposed macroprudential policy measures.
3. The relevant activating authorities are recommended to monitor at least once a year the materialisation and evolution of the cross-border effects of the macroprudential policy measures they have introduced.

Recommendation B – Notification and reciprocation request with regard to relevant authorities' own macroprudential policy measures

1. The relevant activating authorities are recommended to notify the ESRB of macroprudential policy measures as soon as they are adopted, and no later than two weeks after their adoption. Notifications should include an assessment of cross-border effects and of the necessity for reciprocation by other relevant authorities. The relevant activating authorities are requested to provide the information in English using the templates published on the ESRB's website.

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2. If reciprocation by other Member States is deemed necessary to ensure the effective functioning of the relevant measures, the relevant activating authorities are recommended to submit a request for reciprocation to the ESRB, together with the notification of the measure. The request should include a proposed materiality threshold.

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3. If macroprudential policy measures were activated prior to the adoption of this Recommendation, or if reciprocation was not considered necessary when the measures were first introduced, but the relevant activating authority has subsequently decided that such

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reciprocation has become necessary, the relevant activating authorities are recommended to submit a request for reciprocation to the ESRB.

Recommendation C – Reciprocation of other relevant authorities' macroprudential policy measures

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1. The relevant authorities are recommended to reciprocate the macroprudential policy measures adopted by other relevant authorities and recommended for reciprocation by the ESRB. It is recommended that the following measures, as further described in the Annex, be reciprocated:

Estonia:

- a 1 per cent systemic risk buffer rate applied in accordance with Article 133 of Directive 2013/36/EU to the domestic exposures of all credit institutions authorised in Estonia;

Finland:

- a 15 per cent floor for the average risk-weight on residential mortgage loans secured by a mortgage on housing units in Finland applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 to credit institutions authorised in Finland, using the Internal Ratings Based (IRB) Approach for calculating regulatory capital requirements;

Belgium:

- a risk-weight add-on for retail exposures secured by residential immovable property located in Belgium, applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 to credit institutions authorised in Belgium, using the IRB Approach for calculating regulatory capital requirements and composed of:

- (a) a flat risk-weight add-on of 5 percentage points; and
- (b) a proportionate risk-weight add-on consisting of 33 per cent of the exposure-weighted average of the risk-weights applied to the portfolio of retail exposures secured by residential immovable property located in Belgium;

France:

- a tightening of the large exposure limit provided for in Article 395(1) of Regulation (EU) No 575/2013, applicable to exposures to highly-indebted large non-financial corporations having their registered office in France to 5 per cent of eligible capital, applied in accordance with Article 458(2)(d)(ii) of Regulation (EU) No 575/2013 to global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs) at the highest level of consolidation of their banking prudential perimeter;

Sweden:

- a credit institution-specific floor of 25 per cent for the exposure-weighted average of the risk weights applied to the portfolio of retail exposures to obligors residing in Sweden secured by immovable property in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 to credit institutions authorised in Sweden using the IRB Approach for calculating regulatory capital requirements.

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2. The relevant authorities are recommended to reciprocate the macroprudential policy measures listed in this Recommendation by implementing the same macroprudential policy measure as the one that has been implemented by the activating authority. If the same macroprudential policy measure is not available in national legislation, the relevant authorities are recommended to reciprocate, following consultation with the ESRB, by adopting a macroprudential policy measure available in its jurisdiction that has the most equivalent effect to the activated macroprudential policy measure.
3. Unless a specific deadline is recommended in relation to the reciprocation of a macroprudential policy measure, the relevant authorities are recommended to adopt reciprocating macroprudential policy measures no later than three months, following the publication of the latest amendment of this Recommendation in the *Official Journal of the European Union*. The adopted and reciprocating measures should have the same activation date insofar as possible.

Recommendation D – Notification of the reciprocation of other relevant authorities' macroprudential policy measures

The relevant authorities are recommended to notify the ESRB of their reciprocation of other relevant authorities' macroprudential policy measures. Notifications should be sent no later than one month after the reciprocating measure has been adopted. The notifying authorities are requested to provide the information in English, using the template published on the ESRB's website.

SECTION 2

IMPLEMENTATION

1. Interpretation

For the purposes of this Recommendation, the following definitions apply:

- (a) 'activation' means the application of a macroprudential policy measure at national level;
- (b) 'adoption' means a decision taken by a relevant authority regarding the introduction, reciprocation or amendment of a macroprudential policy measure;
- (c) 'financial service' means any service of a banking, credit, insurance, personal pension, investment or payment nature;
- (d) 'macroprudential policy measure' means any measure that addresses the prevention and mitigation of systemic risk as defined in Article 2(c) of Regulation (EU) No 1092/2010 and is adopted or activated by a relevant authority subject to Union or national law;
- (e) 'notification' means a written notice in English to the ESRB from the relevant authorities, including the ECB pursuant to Article 9 of Regulation (EU) No 1024/2013, regarding a macroprudential policy measure in accordance with, but not limited to, Article 133 of Directive 2013/36/EU and Article 458 of Regulation (EU) No 575/2013, and which may be a reciprocation request from a Member State in accordance with, but not limited to, Article 134(4) of Directive 2013/36/EU and Article 458(8) of Regulation (EU) No 575/2013;

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- (f) ‘reciprocity’ means an arrangement, whereby the relevant authority in one jurisdiction applies the same, or equivalent, macroprudential policy measure, as is set by the relevant activating authority in another jurisdiction, to any financial institutions under its jurisdiction, when they are exposed to the same risk in the latter jurisdiction;
- (g) ‘relevant activating authority’ means a relevant authority that is in charge of applying a macroprudential policy measure at national level;
- (h) ‘relevant authority’ means an authority entrusted with the adoption and/or activation of macroprudential policy measures, including but not limited to:
 - (i) a designated authority in accordance with Chapter 4 of Directive 2013/36/EU and Article 458 of Regulation (EU) No 575/2013, a competent authority as defined in Article 4(1)(40) of Regulation (EU) No 575/2013, the ECB in accordance with Article 9(1) of Regulation (EU) No 1024/2013; or
 - (ii) a macroprudential authority with the objectives, arrangements, powers, accountability requirements and other characteristics set out in Recommendation ESRB/2011/3 of the European Systemic Risk Board ⁽¹⁾;

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- (i) ‘materiality threshold’ means a quantitative threshold below which an individual financial service provider’s exposure to the identified macroprudential risk in the jurisdiction where the macroprudential policy measure is applied by the activating authority can be considered non-material.

▼B**2. Exemptions****▼M3**

1. The relevant authorities may exempt an individual financial service provider under their jurisdiction from applying a particular reciprocating macroprudential policy measure, if this financial service provider has non-material exposure to the identified macroprudential risk in the jurisdiction, where the relevant activating authority is applying the macroprudential policy measure in question (*de minimis* principle). The relevant authorities are requested to report to the ESRB on such exemptions, using the template for notifying reciprocating measures as published on the ESRB’s website.

For the purpose of applying the *de minimis* principle, the ESRB recommends a materiality threshold based on that proposed by the relevant activating authority pursuant to Section 1, sub-recommendation B(2). The threshold calibration should follow the best practices as established by the ESRB. The materiality threshold is a recommended maximum threshold level. Reciprocating relevant authorities may apply the recommended threshold, set a lower threshold for their jurisdiction where appropriate, or reciprocate the measure without any materiality threshold. When applying the *de minimis* principle, authorities should monitor whether leakages and regulatory arbitrage materialise and close the regulatory loophole where necessary.

⁽¹⁾ Recommendation of the European Systemic Risk Board of 22 December 2011 on the macro-prudential mandate of national authorities (ESRB/2011/3) (OJ C 41, 14.2.2012, p. 1).

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2. If the relevant authorities have already reciprocated and disclosed the measure before the measure is recommended for reciprocation in this Recommendation, the reciprocating measure does not need to be amended even if it differs from the one implemented by the activating authority.

3. Timeline and reporting

1. The relevant authorities are requested to report to the ESRB and the Council on the actions they take in response to this Recommendation, or adequately justify any inaction. Reports shall be sent every two years, with the first report due by 30 June 2017. The reports should contain as a minimum:
 - (a) information on the substance and timing of the actions taken;
 - (b) an assessment of the functioning of the actions taken, from the perspective of the objectives of this Recommendation;
 - (c) detailed justification of any exemptions granted pursuant to the *de minimis* principle, together with any inaction or departure from this Recommendation, including any delays.
2. In the event of shared responsibilities, relevant authorities should coordinate with each other in order to provide the necessary information on time.
3. The relevant authorities are encouraged to inform the ESRB at the earliest opportunity of any proposed macroprudential policy measures.
4. A reciprocating macroprudential policy measure is deemed to be equivalent if it has, insofar as possible:
 - (a) the same economic impact;
 - (b) the same scope of application; and
 - (c) the same consequences (sanctions) for non-compliance.

▼M3**4. Amendments to the Recommendation**

The General Board will decide when this Recommendation needs to be amended. Such amendments include in particular any additional or modified macroprudential policy measures to be reciprocated as set out in Recommendation C and the related annexes containing measure-specific information, including the materiality threshold provided by the ESRB. The General Board may also extend the deadlines set forth in the previous paragraphs where legislative initiatives are necessary to comply with one or more recommendations. In particular, the General Board may decide to amend this Recommendation following the European Commission's review of the mandatory recognition framework under Union law or on the basis of experience gained with the operation of the voluntary reciprocity arrangement established by this Recommendation.

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5. Monitoring and assessment

1. The ESRB Secretariat:

- (a) assists the relevant authorities by facilitating coordinated reporting, providing relevant templates and detailing where necessary the procedure and the timeline for compliance;
- (b) verifies compliance by the relevant authorities, including by assisting them at their request, and submits compliance reports to the General Board.

2. The General Board assesses the actions and the justifications reported by the relevant authorities and, where appropriate, decides whether this Recommendation has not been followed and whether the relevant authorities have failed to adequately justify their inaction.

▼ M7*Annex***Estonia****1 per cent systemic risk buffer rate applied in accordance with Article 133 of Directive 2013/36/EU to the domestic exposures of all credit institutions authorised in Estonia****I. Description of the measure**

1. The Estonian measure constitutes a 1 per cent systemic risk buffer rate applied in accordance with Article 133 of Directive 2013/36/EU to the domestic exposures of all credit institutions authorised in Estonia.

II. Reciprocation

2. Where Member States have implemented Article 134 of Directive 2013/36/EU in national law, relevant authorities are recommended to reciprocate the Estonian measure for exposures located in Estonia of domestically authorised credit institutions in accordance with Article 134(1) of Directive 2013/36/EU. For the purposes of this paragraph, the deadline specified in sub-recommendation C(3) applies.
3. Where Member States have not implemented Article 134 of Directive 2013/36/EU in national law, relevant authorities are recommended to reciprocate the Estonian measure for exposures located in Estonia of domestically authorised credit institutions in accordance with sub-recommendation C(2). Relevant authorities are recommended to adopt the equivalent measure within six months.

III. Materiality threshold

4. The measure is complemented by an institution-specific materiality threshold of EUR 250 million applied to exposures located in Estonia to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure.
5. In line with Section 2.2.1 of Recommendation ESRB/2015/2, relevant authorities of the Member State concerned may exempt domestically authorised credit institutions having exposures located in Estonia which are below the materiality threshold of EUR 250 million. When applying the materiality threshold, the relevant authorities should monitor the materiality of exposures and are recommended to apply the Estonian measure to previously exempted individual domestically authorised credit institutions when the materiality threshold of EUR 250 million is exceeded.
6. Where there are no credit institutions authorised in the Member States concerned having exposures located in Estonia of EUR 250 million or above, relevant authorities of the Member States concerned may decide not to reciprocate the Estonian measure, as provided by Section 2.2.1 of Recommendation ESRB/2015/2. In this case the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate the Estonian measure when a domestically authorised credit institution exceeds the threshold of EUR 250 million.
7. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the materiality threshold of EUR 250 million is a recommended maximum threshold level. Reciprocating relevant authorities may therefore, instead of applying the recommended threshold, set a lower threshold for their jurisdictions where appropriate, or reciprocate the measure without any materiality threshold.

▼ M7**Finland**

A credit institution-specific minimum level of 15 per cent for the average risk-weight on loans secured by a mortgage on housing units in Finland applicable to credit institutions using the Internal Ratings Based (IRB) Approach (hereinafter ‘IRB credit institutions’) under Article 458(2)(d)(vi) of Regulation (EU) No 575/2013.

I. Description of the measure

1. The Finnish measure, applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013, consists of a credit institution-specific average risk weight floor of 15 per cent for IRB credit institutions, at the portfolio level, for residential mortgage loans secured by housing units in Finland.

II. Reciprocation

2. In accordance with Article 458(5) of Regulation (EU) No 575/2013, relevant authorities of the Member States concerned are recommended to reciprocate the Finnish measure and apply it to IRB credit institutions' portfolios of retail mortgage loans secured by housing units in Finland issued by domestically authorised branches located in Finland. For the purposes of this paragraph, the deadline specified in sub-recommendation C(3) applies.
3. Relevant authorities are also recommended to reciprocate the Finnish measure and apply it to IRB credit institutions' portfolios of retail mortgage loans secured by housing units in Finland issued directly across borders by credit institutions established in their respective jurisdictions. For the purposes of this paragraph, the deadline specified in sub-recommendation C(3) applies.
4. In accordance with sub-recommendation C(2), the relevant authorities are recommended to apply, following consultation with the ESRB, a macro-prudential policy measure available in their jurisdiction that has the effect most equivalent to the above measure recommended for reciprocation, including adopting supervisory measures and powers laid down in Title VII, Chapter 2, Section IV of Directive 2013/36/EU. The relevant authorities are recommended to adopt the equivalent measure within four months.

III. Materiality threshold

5. The measure is complemented by a materiality threshold of EUR 1 billion exposure to the residential mortgage lending market in Finland to steer the potential application of the *de minimis* principle by the reciprocating Member States.
6. In line with Section 2.2.1 of Recommendation ESRB/2015/2, relevant authorities of the Member State concerned may exempt individual IRB credit institutions with non-material portfolios of retail mortgage loans secured by housing units in Finland below the materiality threshold of EUR 1 billion. In this case the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate when an IRB credit institution exceeds the threshold of EUR 1 billion.
7. Where there are no IRB credit institutions authorised in other Member States concerned with branches located in Finland or providing financial services directly in Finland that have exposures of EUR 1 billion or above to the Finnish mortgage market, relevant authorities of the Member States

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concerned may decide not to reciprocate as provided by Section 2.2.1 of Recommendation ESRB/2015/2. In this case the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate when an IRB credit institution exceeds the threshold of EUR 1 billion.

Belgium

A risk weight add-on for retail exposures secured by residential immovable property located in Belgium, imposed on credit institutions authorised in Belgium using the IRB Approach and applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013. The add-on is composed of two components:

- (a) **a flat risk weight add-on of 5 percentage points; and**
- (b) **a proportionate risk weight add-on consisting of 33 per cent of the exposure-weighted average of the risk weights applied to the portfolio of retail exposures secured by residential immovable property located in Belgium.**

I. Description of the measure

1. The Belgian measure, applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 and imposed on credit institutions authorised in Belgium using the IRB Approach, consists of a risk weight add-on for retail exposures secured by residential immovable property located in Belgium, which is composed of two components:
 - (a) The first component consists of a 5 percentage point increase to the risk weight for retail exposures secured by residential immovable property located in Belgium obtained after computing the second part of the risk-weight add-on in accordance with point (b).
 - (b) The second component consists of a risk-weight increase of 33 per cent of the exposure-weighted average of the risk-weights applied to the portfolio of retail exposures secured by residential immovable property located in Belgium. The exposure-weighted average is the average of the risk-weights of the individual loans calculated in accordance with Article 154 of Regulation (EU) No 575/2013, weighted by the relevant exposure value.

II. Reciprocation

2. In accordance with Article 458(5) of Regulation (EU) No 575/2013, relevant authorities of the Member States concerned are recommended to reciprocate the Belgian measure by applying it to branches located in Belgium of domestically authorised credit institutions using the IRB Approach within the deadline specified in sub-recommendation C(3).
3. Relevant authorities are recommended to reciprocate the Belgian measure by applying it to domestically authorised credit institutions using the IRB Approach that have direct retail exposures secured by residential immovable property located in Belgium. In accordance with sub-recommendation C(2), the relevant authorities are recommended to apply the same measure as the one that has been implemented in Belgium by the activating authority within the deadline specified in sub-recommendation C(3).

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4. If the same macroprudential policy measure is not available in their jurisdiction, the relevant authorities are recommended to apply, following consultation with the ESRB, a macroprudential policy measure available in their jurisdiction that has the most equivalent effect to the above measure recommended for reciprocation, including adopting supervisory measures and powers laid down in Title VII, Chapter 2, Section IV of Directive 2013/36/EU. Relevant authorities are recommended to adopt the equivalent measure by no later than four months following the publication of this Recommendation in the *Official Journal of the European Union*.

III. Materiality threshold

5. The measure is complemented by an institution-specific materiality threshold of EUR 2 billion to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure.
6. In line with Section 2.2.1 of Recommendation ESRB/2015/2, relevant authorities of the Member State concerned may exempt individual domestically authorised credit institutions using the IRB Approach having non-material retail exposures secured by residential immovable property in Belgium which are below the materiality threshold of EUR 2 billion. When applying the materiality threshold, the relevant authorities should monitor the materiality of exposures and are recommended to apply the Belgian measure to previously exempted individual domestically authorised credit institutions when the materiality threshold of EUR 2 billion is breached.
7. Where there are no credit institutions authorised in the Member States concerned with branches located in Belgium or which have direct retail exposures secured by residential immovable property in Belgium, which use the IRB Approach and which have exposures of EUR 2 billion or above to the Belgian residential immovable property market, relevant authorities of the Member States concerned may, pursuant to Section 2.2.1 of Recommendation ESRB/2015/2, decide not to reciprocate the Belgian measure. In this case the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate the Belgian measure when a credit institution using the IRB Approach exceeds the threshold of EUR 2 billion.
8. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the materiality threshold of EUR 2 billion is a recommended maximum threshold level. Reciprocating relevant authorities may therefore instead of applying the recommended threshold set a lower threshold for their jurisdictions where appropriate, or reciprocate the measure without any materiality threshold.

France

A tightening of the large exposure limit provided for in Article 395(1) of Regulation (EU) No 575/2013, applicable to exposures to highly-indebted large non-financial corporations having their registered office in France to 5 per cent of eligible capital, applied in accordance with Article 458(2)(d)(ii) of Regulation (EU) No 575/2013 to global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs) at the highest level of consolidation of their banking prudential perimeter.

I. Description of the measure

1. The French measure, applied in accordance with Article 458(2)(d)(ii) of Regulation (EU) No 575/2013 and imposed on G-SIIs and O-SIIs at the highest level of consolidation of their banking prudential perimeter (not at a sub-consolidated level), consists of a tightening of the large exposure limit to 5 per cent of their eligible capital, applicable to exposures to highly-indebted large non-financial corporations having their registered office in France.

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2. A non-financial corporation is defined as a natural or legal person under private law having its registered office in France, and which, at its level and at the highest level of consolidation, belongs to the non-financial corporations sector as defined in point 2.45 of Annex A to Regulation (EU) No 549/2013 of the European Parliament and of the Council ⁽¹⁾.
3. The measure applies to exposures to non-financial corporations having their registered office in France and to exposures to groups of connected non-financial corporations as follows:
 - (a) For non-financial corporations which are part of a group of connected non-financial corporations having its registered office at the highest level of consolidation in France, the measure applies to the sum of the net exposures towards the group and all its connected entities within the meaning of point (39) of Article 4(1) of Regulation (EU) No 575/2013;
 - (b) For non-financial corporations which are part of a group of connected non-financial corporations having its registered office at the highest level of consolidation outside France, the measure applies to the sum of:
 - (i) the exposures to those non-financial corporations having their registered office in France;
 - (ii) the exposures to the entities in France or abroad over which the non-financial corporations referred to in (i) have direct or indirect control within the meaning of point (39) of Article 4(1) of Regulation (EU) No 575/2013; and
 - (iii) the exposures to the entities in France or abroad which are economically dependent on the non-financial corporations referred to in (i) within the meaning of point (39) of Article 4(1) of Regulation (EU) No 575/2013.

Non-financial corporations which do not have their registered office in France and which are not a subsidiary or an economically dependent entity of, and which are not directly or indirectly controlled by, a non-financial corporation having its registered office in France, therefore fall outside the scope of the measure.

In accordance with Article 395(1) of Regulation (EU) No 575/2013, the measure is applicable after taking into account the effect of the credit risk mitigation techniques and exemptions in accordance with Articles 399 to 403 of Regulation (EU) No 575/2013.

4. A G-SII or an O-SII must consider a non-financial corporation having its registered office in France as large if its original exposure to the non-financial corporation, or to the group of connected non-financial corporations within the meaning of paragraph 3, is equal to or larger than EUR 300 million. The original exposure value is calculated in accordance with Articles 389 and 390 of Regulation (EU) No 575/2013 before taking into account the effect of credit risk mitigation techniques and exemptions set out in Articles 399 to 403 of Regulation (EU) No 575/2013, as reported in accordance with Article 9 of Commission Implementing Regulation (EU) No 680/2014 ⁽²⁾.
5. A non-financial corporation is considered highly-indebted if it has a leverage ratio that is greater than 100 per cent and a financial charges coverage ratio that is below three, calculated at the highest level of group consolidation as follows:

⁽¹⁾ Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union (OJ L 174, 26.6.2013, p. 1).

⁽²⁾ Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 191, 28.6.2014, p. 1).

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- (a) The leverage ratio is the ratio between total debt net of cash and equity; and
- (b) The financial charges coverage ratio is the ratio between, on the one hand, the value added plus operating subsidies less: (i) payroll; (ii) operating taxes and duties; (iii) other net ordinary operating expenses excluding net interest and similar charges; and (iv) depreciation and amortisation, and, on the other hand, interest and similar charges.

The ratios are calculated based on accounting aggregates defined in accordance with the applicable standards, as presented in the non-financial corporation's financial statements, certified where appropriate by a chartered accountant.

II. Reciprocation

- 6. Relevant authorities are recommended to reciprocate the French measure by applying it to domestically authorised G-SIIs and O-SIIs at the highest level of consolidation within the jurisdiction of their banking prudential perimeter.
- 7. If the same macroprudential policy measure is not available in their jurisdiction, in line with sub-recommendation C(2), the relevant authorities are recommended to apply, following consultation with the ESRB, a macroprudential policy measure available in their jurisdiction that has the most equivalent effect to the above measure recommended for reciprocation. The relevant authorities are recommended to adopt the equivalent measure by no later than six months following the publication of this Recommendation in the *Official Journal of the European Union*.

III. Materiality threshold

- 8. The measure is complemented by a combined materiality threshold to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure, which is composed of:
 - (a) A threshold of EUR 2 billion for the total original exposures of domestically authorised G-SIIs and O-SIIs at the highest level of consolidation of the banking prudential perimeter to the French non-financial corporations sector;
 - (b) A threshold of EUR 300 million applicable to domestically authorised G-SIIs and O-SIIs equalling or exceeding the threshold mentioned in (a) for:
 - (i) a single original exposure to a non-financial corporation having its registered office in France;
 - (ii) the sum of original exposures to a group of connected non-financial corporations, which has its registered office at the highest level of consolidation in France, calculated in accordance with paragraph 3(a);
 - (iii) the sum of original exposures to non-financial corporations having their registered office in France which are part of a group of connected non-financial corporations having its registered office at the highest level of consolidation outside France as reported in templates C 28.00 and C 29.00 of Annex VIII to Implementing Regulation (EU) No 680/2014;
 - (c) A threshold of 5 per cent of the G-SII's or O-SII's eligible capital at the highest level of consolidation, for exposures identified in (b) after taking into account the effect of the credit risk mitigation techniques and exemptions in accordance with Articles 399 to 403 of Regulation (EU) No 575/2013.

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The thresholds referred to in paragraphs (b) and (c) are to be applied irrespective of whether the relevant entity or non-financial corporation is highly-indebted or not.

The original exposure value referred to in paragraphs (a) and (b) is to be calculated in accordance with Articles 389 and 390 of Regulation (EU) No 575/2013 before taking into account the effect of credit risk mitigation techniques and exemptions set out in Articles 399 to 403 of Regulation (EU) No 575/2013 as reported in accordance with Article 9 of Implementing Regulation (EU) No 680/2014.

9. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the relevant authorities of the Member State concerned may exempt domestically authorised G-SIIs or O-SIIs at the highest level of consolidation of their banking prudential perimeter which do not breach the combined materiality threshold referred to in paragraph 8. When applying the materiality threshold, the relevant authorities should monitor the materiality of the exposures of domestically authorised G-SIIs and O-SIIs to the French non-financial corporations sector as well as the exposure concentration of domestically authorised G-SIIs and O-SIIs to large non-financial corporations having their registered office in France, and are recommended to apply the French measure to previously exempted domestically authorised G-SIIs or O-SIIs at the highest level of consolidation of their banking prudential perimeter when the combined materiality threshold referred to in paragraph 8 is breached. Relevant authorities are also encouraged to signal the systemic risks associated with the increased leverage of large non-financial corporations having their registered office in France to other market participants in their jurisdiction.

10. Where there are no G-SIIs or O-SIIs at the highest level of consolidation of their banking prudential perimeter authorised in the Member States concerned and having exposures to the French non-financial corporations sector above the materiality threshold referred to in paragraph 8, the relevant authorities of the Member States concerned may, pursuant to Section 2.2.1 of Recommendation ESRB/2015/2, decide not to reciprocate the French measure. In this case the relevant authorities should monitor the materiality of the exposures of domestically authorised G-SIIs and O-SIIs to the French non-financial corporations sector as well as the exposure concentration of domestically authorised G-SIIs and O-SIIs to large non-financial corporations having their registered office in France, and are recommended to reciprocate the French measure when a G-SII or O-SII at the highest level of consolidation of its banking prudential perimeter exceeds the combined materiality threshold referred to in paragraph 8. Relevant authorities are also encouraged to signal the systemic risks associated with the increased leverage of large non-financial corporations having their registered office in France to other market participants in their jurisdiction.

11. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the combined materiality threshold referred to in paragraph 8 is a recommended maximum threshold level. Reciprocating relevant authorities may therefore instead of applying the recommended threshold set a lower threshold for their jurisdictions where appropriate, or reciprocate the measure without any materiality threshold.

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Sweden

A credit institution-specific floor of 25 per cent for the exposure-weighted average of the risk weights applied to the portfolio of retail exposures to obligors residing in Sweden secured by immovable property in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 to credit institutions authorised in Sweden, using the IRB Approach for calculating regulatory capital requirements.

I. Description of the measure

1. The Swedish measure, applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013 and imposed on credit institutions authorised in Sweden using the IRB Approach, consists of a credit institution-specific floor of 25 per cent for exposure-weighted average of the risk weights applied to the portfolio of retail exposures to obligors residing in Sweden secured by immovable property.
2. The exposure-weighted average is the average of the risk weights of the individual exposures calculated in accordance with Article 154 of Regulation (EU) No 575/2013, weighted by the relevant exposure value.

II. Reciprocation

3. In accordance with Article 458(5) of Regulation (EU) No 575/2013, relevant authorities of the Member States concerned are recommended to reciprocate the Swedish measure by applying it to branches located in Sweden of domestically authorised credit institutions using the IRB Approach within the deadline specified in sub-recommendation C(3).
4. Relevant authorities are recommended to reciprocate the Swedish measure by applying it to domestically authorised credit institutions using the IRB Approach that have direct retail exposures to obligors residing in Sweden secured by immovable property. In accordance with sub-recommendation C(2), the relevant authorities are recommended to apply the same measure as the one that has been implemented in Sweden by the activating authority within the deadline specified in sub-recommendation C(3).
5. If the same macroprudential policy measure is not available in their jurisdiction, the relevant authorities are recommended to apply, following consultation with the ESRB, a macroprudential policy measure available in their jurisdiction that has the most equivalent effect to the above measure recommended for reciprocation. Relevant authorities are recommended to adopt the equivalent measure by no later than four months following the publication of this Recommendation in the *Official Journal of the European Union*.

III. Materiality threshold

6. The measure is complemented by an institution-specific materiality threshold of SEK 5 billion to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure.
7. In line with Section 2.2.1 of Recommendation ESRB/2015/2, relevant authorities of the Member State concerned may exempt individual domestically authorised credit institutions using the IRB Approach having non-material retail exposures to obligors residing in Sweden secured by immovable property which are below the materiality threshold of SEK 5 billion. When applying the materiality threshold, the relevant authorities should monitor the materiality of exposures and are recommended to apply the Swedish measure to previously exempted individual domestically authorised credit institutions when the materiality threshold of SEK 5 billion is exceeded.

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8. Where there are no credit institutions authorised in the Member States concerned with branches located in Sweden or which have direct retail exposures to obligors residing in Sweden, secured by immovable property, which use the IRB Approach and which have retail exposures of SEK 5 billion or above to obligors residing in Sweden, secured by immovable property, relevant authorities of the Member States concerned may, pursuant to Section 2.2.1 of Recommendation ESRB/2015/2, decide not to reciprocate the Swedish measure. In this case the relevant authorities should monitor the materiality of the exposures and are recommended to reciprocate the Swedish measure when a credit institution using the IRB Approach exceeds the threshold of SEK 5 billion.
9. In line with Section 2.2.1 of Recommendation ESRB/2015/2, the materiality threshold of SEK 5 billion is a recommended maximum threshold level. Reciprocating relevant authorities may therefore, instead of applying the recommended threshold, set a lower threshold for their jurisdictions where appropriate, or reciprocate the measure without any materiality threshold.