

## Template for notifying voluntary reciprocation of other authorities' macroprudential measures

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1. Notifying national authority and scope of the notification		
1.1	Name of the notifying authority	Finansinspektionen, Swedish Financial Supervisory Authority
1.2	Name of the reciprocating measure	A 15-percent 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.
2. Description of the reciprocating measure		
2.1	Description of the reciprocating measure	<p>The measure introduced by the Finish Financial Supervisory Authority (FIN-FSA) constitutes a credit institution-specific minimum level of 15% for the average risk weight on housing loans applicable to credit institutions that have adopted the Internal Ratings-Based Approach, effective as of 1 January 2018, based on Article 458 of the Capital Requirements Regulation.</p> <p>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 <i>de minimis</i> principle by the reciprocating Member States.</p> <p>Finansinspektionen has decided to reciprocate the measure mentioned above. Finansinspektionen shall,</p>

		<p>thereby, apply an average, institute-specific risk weight floor of 15 per cent to Finnish mortgage exposures in the Finnish branches of Swedish credit institutions with authorisation to the Internal Ratings Based (IRB) approach.</p> <p>Finansinspektionen will apply a materiality threshold of EUR 1 billion as stated by the Finnish supervisory authority and as also provided in the ESRB Recommendation ESRB/2018/1.</p>
2.2	Coverage	<p>The measure shall be applied to exposures to Finnish mortgages in Swedish credit institution's branches in Finland. Finansinspektionen makes the assessment that the current wording of Article 458(5) does not allow for the decision to also include cross-border operations. However, Finansinspektionen makes the assessment that the Swedish credit institutions' Finnish mortgage exposures in all material respects are located in affected branches.</p> <p>According to the general principles set out in the Capital Requirements Regulation, the capital requirements apply at both the institution level and the group level. This means that the current measure may be considered within group-based supervision.</p>
2.3	Exemptions ("de minimis" principle) (Section 2.2 (Exemptions) of Recommendation ESRB/2015/2)	<p>Finansinspektionen will apply a materiality threshold of EUR 1 billion as stated by the Finnish supervisory authority and as also provided in the ESRB Recommendation ESRB/2018/1.</p> <p>Any Swedish authorised IRB credit institution with non-material portfolio of retail mortgage loans secured by housing units in Finland below the materiality threshold of EUR 1 billion is exempted from applying the reciprocating measure. Finansinspektionen deems this threshold as sufficiently low to prevent significant regulatory loopholes.</p> <p>Currently, the exposures of IRB institutions that are exempted from the measure are negligible. Finansinspektionen monitors the materiality of relevant exposures and will apply the reciprocated measure to all those IRB credit institutions which exceed the materiality</p>

		threshold.
<b>3. Timing</b>		
3.1	Timing of the decision	The decision to reciprocate was taken by Finansinspektionen on 22 December 2017
3.2	Timing of the publication	The decision was published by Finansinspektionen on 27 December 2017.
3.3	Disclosure	The decision was published on the website of Finansinspektionen on 27 December 2017.
3.4	Timing of the application	The decision shall apply as of 1 January 2018 for two years. No phase-in period will apply.
<b>4. Miscellaneous</b>		
4.1	Contact person(s) at the notifying authority.	Katja Moll Forsström <a href="mailto:katja.mollforsstrom@fi.se">katja.mollforsstrom@fi.se</a>  Matilda Gjirja <a href="mailto:matilda.gjirja@fi.se">matilda.gjirja@fi.se</a>
4.2	Any other relevant information.	Link to the decision in English is provided below: <a href="http://www.fi.se/en/published/news/2017/fi-recognises-the-risk-weight-floor-for-finnish-mortgage-exposures">http://www.fi.se/en/published/news/2017/fi-recognises-the-risk-weight-floor-for-finnish-mortgage-exposures</a>