
NBB RECIPROCATION OF A FRENCH MEASURE APPLIED ON THE BASIS OF ART. 458 CRR: ADDITIONAL EXPLANATION

This brief note provides some guidance on the implementation of a new macroprudential measure introduced by the French “*Haut Conseil de stabilité financière*”, which is reciprocated in Belgium, in application of Article 1, § 3 of the National Bank of Belgium Regulation of 24 February 2016, as approved by Royal Decree on 20 May 2016.

This measure applies, through reciprocation, to the institutions identified by the NBB as Global Systemically Important Institutions (G-SIIs) and Other Systemically Important institutions¹ (O-SII), at the highest level of consolidation of their banking prudential perimeter.

It will take effect as from 1 April 2019 and will be applicable as long as it is applied by the French Haut Conseil de stabilité financière.

The measure is described in the Recommendation of the European Systemic Risk Board (ESRB) of 5 December 2018 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2018/8)².

The following description of the measure does not aim to be exhaustive. The credit institutions concerned are expected to take the full text of ESRB recommendation ESRB/2018/8 into account in applying the measure (and in measuring their exposures against the defined materiality thresholds).

The French Haut Conseil de stabilité financière also provides details about the application of the measure on its website³ (in French).

Description of the measure

The French measure consists in a tightening to 5 percent of eligible capital of the large exposure limit provided for in Article 395(1) of the Capital Requirements Regulation⁴ (CRR), applicable to exposures to highly-indebted large non-financial corporations having their registered office in France. The measure is applied in accordance with Article 458(2)(d)(ii) of the CRR.

The credit institutions concerned 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 is equal to or larger than EUR 300 million.

The recommendation also provides details about the highly-indebted character of those exposures, which can be determined by calculating a leverage ratio and a financial charges coverage ratio.

¹ <https://www.nbb.be/en/financial-oversight/macroprudential-supervision/macroprudential-instruments/other-systemically>.

²

https://www.esrb.europa.eu/pub/pdf/recommendations/2019/esrb.amendment190211_2015_2.en.pdf?1163c3319c0c4d72ea4b2f0be6b86b95.

³ https://www.economie.gouv.fr/files/files/directions_services/hcsf/HCSF_180511_-_Notice_Mesure_Grands_Risques.pdf.

⁴ Regulation (EU) No 575/2013.

Materiality threshold

The application of the measure is subject to materiality thresholds :

1. A first threshold consists of EUR 2 billion for the total original exposures of the credit institutions concerned at the highest level of consolidation of the banking prudential perimeter, to the French non-financial corporations sector;
2. For the credit institutions equalling or exceeding the first threshold, a second threshold of EUR 300 million is applied to each single original exposure to a non-financial corporation having its registered office in France or to the sum of original exposures to a group of connected non-financial corporations;
3. For exposures identified in (2), a third threshold of 5 percent of the credit institution's eligible capital at the highest level of consolidation is applied after taking into account the effect of the credit risk mitigation techniques and exemptions.

The thresholds are to be applied irrespective of whether the relevant entity or non-financial corporation is highly-indebted or not.

If one credit institution exceeds all three thresholds, then the measure applies to this credit institution's exposures to highly-indebted large non-financial corporations having their registered office in France.

Monitoring and possible imposition of a reporting requirement

In the context of the Belgian reciprocation of this French measure:

- The National Bank of Belgium will assess, on a quarterly basis and based on Corep tables C.09, C.27, C.28 and C.29, whether certain credit institutions breach the thresholds defined in the ESRB recommendation;
- In case materiality thresholds are breached, the National Bank of Belgium will require a reporting from the credit institutions concerned allowing to assess the binding or non-binding character of the measure;
- Credit institutions remain responsible for the correct application of the measure.

NBB contact persons

Specific queries on the application and reporting of this macroprudential measure may be addressed to [Alexandre Francart](#), [Hans Dewachter](#) or [Stijn Ferrari](#).
