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## 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 the new version of the 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 institutions<sup>1</sup> (O-SII), at the highest level of consolidation of their banking prudential perimeter.

It will take effect in Belgium as from 7 November 2021 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 26 July 2021 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2021/6)<sup>2</sup>.

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/2021/6 into account in applying the measure (and in measuring their exposures against the defined materiality thresholds).

### Description of the measure

The French measure consists in a tightening to 5 percent of Tier 1 capital of the large exposure limit provided for in Article 395(1) of the Capital Requirements Regulation<sup>3</sup> (CRR), applicable to exposures to highly-indebted large non-financial corporations<sup>4</sup> 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.

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

<sup>2</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021Y0907\(01\)&qid=1631110135126&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021Y0907(01)&qid=1631110135126&from=EN)

<sup>3</sup> Regulation (EU) No 575/2013.

<sup>4</sup> “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” (ESRB/2021/6)

### **Materiality threshold**

The application of the measure is subject to a combined materiality threshold:

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 Tier 1 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 referred to in paragraphs 2. and 3. 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 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.

### **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 exceed the thresholds defined in the ESRB recommendation;
- In case materiality thresholds are exceeded, 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 [Thomas Schepens](#), [Alexandre Reginster](#) or [Alexandre Francart](#).

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