
Reciprocation of three Norwegian measures – Explanatory note

On 11 June 2021, a Recommendation of the European Systemic Risk Board (ESRB) — amending Recommendation ESRB/2015/2 — on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2021/3) has been published in the Official Journal of the European Union. On 4 May 2023, a new Recommendation of the ESRB (ESRB/2023/1) amending the previous ones has been published. Among other measures already reciprocated in Belgium¹, the ESRB recommends to reciprocate the following three Norwegian measures :

Norwegian measures:

1. **a 4.5% systemic risk buffer rate for exposures in Norway**, applied in accordance with Article 133 of Directive 2013/36/EU, as applied to and in Norway on 1 January 2020 pursuant to the terms of the Agreement on the European Economic Area(*) (EEA Agreement) (hereinafter the ‘CRD as applicable to and in Norway on 1 January 2020’), to all credit institutions authorised in Norway;
2. **a 20% average risk weight floor for residential real estate exposures in Norway**, applied in accordance with Article 458(2)(d)(vi) of Regulation (EU) No 575/2013, as applied to and in Norway on 1 January 2020 pursuant to the terms of the EEA Agreement (hereinafter the ‘CRR as applicable to and in Norway on 1 January 2020’), to credit institutions, authorised in Norway, using the internal ratings-based (IRB) approach for calculating regulatory capital requirements;
3. **a 35% average risk weight floor for commercial real estate exposures in Norway**, applied in accordance with Article 458(2)(d)(vi) of the CRR as applicable to and in Norway on 1 January 2020 to credit institutions authorised in Norway, using the IRB approach for calculating regulatory capital requirements.

These three measures are applicable in Norway since 1 January 2021. In accordance with Article 1, § 3 of the Regulation of the National Bank of Belgium of 24 February 2016 approved by Royal Decree on 20 May 2016, these three measures are applicable as from 11 August 2021 to credit institutions under Belgian law for exposures located in Norway.

Each of the above-mentioned Norwegian measures is complemented by an **institution-specific materiality threshold** based on exposures located in Norway as follows:

1. for the systemic risk buffer rate, the materiality threshold is set at a risk-weighted exposure amount of NOK 5 billion²;

¹ See: <https://www.nbb.be/en/financial-oversight/macprudential-supervision/macprudential-instruments/reciprocity>

² Due to the amendments provided for in the ESRB recommendation published on 4 May 2023 (ESRB/2023/1), and in accordance with Article 1, § 3 of the Regulation of the National Bank of Belgium of 24 February 2016 approved by Royal Decree on 20 May 2016, the materiality threshold of the first (above-listed) Norwegian measure, namely the 4.5% systemic risk buffer rate for exposures in Norway, as been lowered from NOK 32 billion to NOK 5 billion. This new threshold becomes applicable to credit institutions under Belgian law as from 4 July 2023.

2. for the residential real estate risk weight floor, the materiality threshold is set at a gross lending of NOK 32.3 billion;
3. for the commercial real estate risk weight floor, the materiality threshold is set at a gross lending of NOK 7.6 billion.

For each of the three Norwegian measure, exposures are deemed non-material if they are below the corresponding institution-specific materiality thresholds.

Further details on the Norwegian measure to reciprocate:

- The systemic risk buffer rate is set at 4.5% and applies to the exposures located in Norway of all credit institutions. However, for credit institutions that do not use the advanced IRB approach, the systemic risk buffer rate applicable to exposures located in Norway is set at 3% until 30 December 2023³; thereafter, the systemic risk buffer rate applicable to exposures located in Norway is set at 4.5%.
- The residential real estate risk weight floor measure is an institution-specific average risk weights floor for residential real estate exposures in Norway, applicable to credit institutions using the IRB approach. The real estate risk weight floor concerns the exposure-weighted average risk weight in the residential real estate portfolio. Norwegian residential real estate exposures should be understood as retail exposures collateralised by immovable property in Norway.
- The commercial real estate risk weight floor measure is an institution-specific average risk weights floor for commercial real estate exposures in Norway, applicable to credit institutions using the IRB approach. The real estate risk weight floor concerns the exposure-weighted average risk weight in the commercial real estate portfolio. Norwegian commercial real estate exposures should be understood as corporate exposures collateralised by immovable property in Norway.

³ Due to the amendments provided for in the ESRB recommendation published on 4 May 2023 (ESRB/2023/1), and in accordance with Article 1, § 3 of the Regulation of the National Bank of Belgium of 24 February 2016 approved by Royal Decree on 20 May 2016, the transitional period has been prolonged until 30 December 2023 (this transitional period was initially due to end on 31 December 2022 (see ESRB/2021/3).