Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

4 August 2023

Announcement: Decision by the Central Bank of Ireland to reciprocate a Norwegian Systemic Risk Buffer (SyRB) rate

Description of the measure

The Norwegian measure consists of a 4.5 per cent systemic risk buffer (SyRB) rate for all exposures located in Norway, applied in accordance with Article 133 of the Capital Requirements Directive (2013/36/EU) ("CRD") to all credit institutions authorised in Norway. The measure is intended to address structural vulnerabilities in the Norwegian financial system with the Norwegian authorities placing particular emphasis on three vulnerabilities: i) high indebtedness in many households, ii) high bank exposure to commercial real estate (CRE) and iii) that one bank's funding is another's liquidity reserve.

ESRB Recommendation

The European Systemic Risk Board (ESRB) issued a Recommendation (ESRB/2023/1)[1] to EEA Member States to reciprocate the Norwegian measure (published in the Official Journal of the European Union, 6 March 2023) which amends Recommendation ESRB/2015/2[2]. Reciprocation occurs when the relevant authority in one Member State applies the same, or equivalent macroprudential measure as that activated in another Member State in order to address a risk related to a specific exposure.

The measure is complemented by an institution-specific materiality threshold based on exposures located in Norway to steer the potential application of the de *minimis* principle by the relevant authorities reciprocating the measure. The institution-specific materiality threshold based on exposures located in Norway is set at a risk-weighted exposure amount of NOK 5 billion.

Reciprocation of the Norwegian Systemic Risk Buffer (SyRB) rate

Regulation 124 of the European Union (Capital Requirements) Regulations 2014 provides that the Central Bank of Ireland may recognise a systemic risk buffer rate set by another Member State in accordance with Article 133 of the CRD and may apply that buffer rate to domestically-authorised institutions for the exposures located in the Member State that sets that buffer rate.[3] Having taken into account Recommendation ESRB/2023/1, the Central Bank of Ireland has decided that the 4.5 per cent systemic risk buffer (SyRB) rate for all exposures located in Norway, applied in accordance with Article 133 of Directive 2013/36/EU to all credit institutions authorised in Norway will be reciprocated with the de *minimis* threshold applying as provided by Section 2.2.1 of Recommendation ESRB/2015/2. The Central Bank of Ireland decision was informed by an assessment for Ireland which showed that a number of Irish authorised credit institutions have had relevant exposures of above or close to the materiality threshold provided as part of the ESRB Recommendation. The formal reciprocation decision was made by the Central Bank of Ireland on 25 July 2023.

Coverage

The Central Bank of Ireland will reciprocate the Norwegian measure for all credit institutions in Ireland with relevant exposures above the materiality threshold as outlined in the Recommendation ESRB/2023/1.

Exemptions "de minimis" principle

Credit institutions with relevant exposures located in Norway that are below the materiality threshold are exempt from applying the measure as per Section 2.2.1 of Recommendation ESRB/2015/2.

Timing of the application

Reciprocation of the measure will apply from 1 January 2024.

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[1] Recommendation of the European Systemic Risk Board of 6 March 2023 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures.
[2] 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.
[3] Article 134 of Capital Requirements Directive (2013/36/EU) ('CRD'), which provides for the recognition of a systemic risk buffer set in another Member State, has been transposed into Irish law by Regulation 124 of the European Union (Capital Requirements) Regulations 2014.