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Pursuant to Article 43, paragraph (2), item (6) of the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020), Article 4, paragraph (1), item (3) and Article 11, paragraph (2) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020 and 146/2020), and Article 3, paragraph (1) of the Decision on the reciprocity of macroprudential policy measures adopted by relevant authorities of other European Union Member States and assessment of cross-border effects of macroprudential policy measures (Official Gazette 60/2017), the Governor of the Croatian National Bank hereby issues the following

Decision

- I. It is hereby established that the recommended criteria for the reciprocation of the macroprudential policy measures adopted by the macroprudential authority of Norway and recommended for reciprocation by the European Systemic Risk Board under Recommendation ESRB/2021/3 of 30 April 2021 have not been met in the Republic of Croatia.
- II. The Croatian National Bank shall not prescribe the reciprocation of the macroprudential policy measures referred to in item I.
- III. The Croatian National Bank shall monitor the level of exposures referred to in Recommendation ESRB/2021/3 and, in case a credit institution meeting the requirements set out in the macroprudential policy measures referred to in item I exceeds the prescribed materiality threshold, prescribe the reciprocation of the measures referred to in item I.

Rationale

The Ministry of Finance of Norway, as the designated authority, adopted a macroprudential measure pursuant to which, in accordance with Article 133 of Directive 2013/36/EU, all credit institutions authorised in Norway are subject to a structural systemic risk buffer requirement for exposures in Norway applied at a rate of 4.5%. In addition, in accordance with Article 458(2)(d) of the CRR as applicable to and in Norway on 1 January 2020, for credit institutions that use the internal ratings based (IRB) approach for the calculation of capital requirements an average risk weight floor of 20% is set for residential real estate exposures in Norway and an average risk weight floor of

35% for commercial real estate exposures in Norway. All these measures came into force in the home country on 1 January 2020.

In Recommendation ESRB/2021/3 of 30 April 2021 the European Systemic Risk Board recommended to the relevant authorities of Member States to reciprocate, in accordance with Article 458(5) of Regulation (EU) No 575/2013 and Article 134(1) of Directive (EU) 2013/36, the stated Norwegian measures by applying them to domestic credit institutions' exposures to Norway. The recommendation 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, as follows:

- (a) for the systemic risk buffer rate, the materiality threshold is set at a risk-weighted exposure amount of NOK 32 billion, which corresponds to about 1% of credit institutions' total risk-weighted exposures amount in Norway;
- (b) for the residential real estate risk weight floor, the materiality threshold is set at a gross lending of NOK 32.3 billion, which corresponds to about 1% of gross collateralised residential real estate lending to Norwegian customers;
- (c) for the commercial real estate risk weight floor, the materiality threshold is set at a gross lending of NOK 7.6 billion, which corresponds to about 1% of gross collateralised commercial real estate lending to Norwegian customers.

Since credit institutions in the Republic of Croatia that use the IRB approach do not have any material direct exposures collateralised by residential or commercial real estate in Norway that exceed the prescribed materiality thresholds, the Croatian National Bank, applying the *de minimis* principle, shall not prescribe the reciprocation of the macroprudential policy measures adopted by the competent authority of Norway.

The Croatian National Bank shall, once a year, review the materiality of exposures referred to above and, in case a domestic credit institution meeting the requirements referred to in Recommendation ESRB/2021/3 meets the preconditions prescribed by the measure, review its decision on the reciprocation of the measure.

No. 180-091/06-21/BV
Zagreb, 25 June 2021

Croatian National Bank
Governor



HNB

Boris Vujčić