Notification template for Articles 133 and 134(5) of the Capital Requirements Directives (CRD) – Systemic risk buffer (SyRB)

Template for notifying the European Central Bank (ECB)and European Systemic Risk Board (ESRB) of the setting or resetting of one or more systemic risk buffer rates pursuant to Article 133(9) CRD and to request that the ESRB issue a recommendation to other Member States to reciprocate the measure under Article 134(5) CRD

Please send/upload this template to

- macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation[1]);
- DARWIN/ASTRA when notifying the ESRB.

The ESRB will forward the notification to the European Commission, the European Banking Authority (EBA) and the competent and designated authorities of the Member States concerned without delay. This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure[2].

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. To facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority and scope of the notification	
1.1 Name of the notifying authority	Finansdepartementet
1.2 Country of the notifying authority	Norway
1.3 Type of measure (also for reviews of existing measures)	Which SyRB measure do you intend to implement? ☐ Activate a new SyRB ☐ Change the level of an existing SyRB ☐ Change the scope of an existing SyRB (incl. changes to a subset of institutions or exposures) ☐ De-activate an existing SyRB ☒ Reset an existing SyRB (review)

[1] Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).
[2] On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

2. Description of the measure

2.1 Institutions covered by the intended SyRB

Please indicate whether the SyRB applies to:

☒ All institutions authorised in the Member State

☐ One or more subsets of credit institutions in the sector (please provide the names and identifiers (Legal Entity Identifier (LEI) code) of institutions covered)

Name of institution	LEI code	Consolidation level

☒ A subsidiary whose parent is established in another Member State. (Please provide the names and identifiers (LEI code) of subsidiaries)

Name of subsidiary	Name of the parent	LEI code of the subsidiary
Nordea Eiendomskreditt AS	Nordea	549300TTWFTM3HRP0618
Nordea Finans Norge	Nordea	5493005G5TEGCJEWJR17
Santander Consumer Bank AS	Santander	549300A08LH2961IPN13
Nordea Finance Equipment AS	Nordea	5493005G5TEGCJEWJR17
BNP Paribas Leasing Solutions AS	BNP Paribas	5967007LIEEXZX6LGW98
This list is potentially not exhaustive. The SyRB applies to all institutions authorised in Norway.		

If the SyRB applies to a subset of institutions, please describe the criteria for selection of the relevant institutions.

2.2 Exposures covered by the SyRB

(Article 133(5) CRD)

Please indicate the exposures to which the SyRB applies:

☒ (a) all exposures located in the Member State that is setting the buffer;

☐ (b) the following sectoral exposures located in the Member State that is setting the buffer:

(i) ☐ all retail exposures to natural persons that are secured by residential property;
(ii) ☐ all exposures to legal persons that are secured by mortgages on commercial immovable property;
(iii) ☐ all exposures to legal persons excluding those specified in point (ii);
(iv) ☐ all exposures to natural persons excluding those specified in point (i);

☐ (c) subsets of any of the sectoral exposures identified in point (b). Please specify the subsets in Section 2.3;

☐ (d) all exposures located in other Member States;

☐ (e) exposures located in third countries.

2.3 Subsets of sectoral exposures

Where the systemic risk buffer applies to subsets of any of the sectoral exposures identified (see point 2.2 (c)), please specify:

- The elements of the dimensions and subdimensions that were used to identify the subset(s) of sectoral exposures as laid down in the EBA Guidelines on the appropriate subsets of exposures in the application of SyRB:

Dimensions/subdimensions	Elements
1. Type of debtor or counterparty sector	
1.a Economic activity	
2. Type of exposure	
2.a Risk profile	
3. Type of collateral	
3.a Geographical area	

- Assessment conducted in accordance with Section 5 of the EBA Guidelines on the systemic relevance of the risks stemming from this subset, taking into account:
  (i) size
  (ii) riskiness
  (iii) interconnectedness.

- Why it would not have been appropriate to set the systemic risk buffer at the level of a sector (as in point 2.2(b)) to cover the risk targeted?

2.4 Exposures located in other Member States and in third countries

N/A

2.5 Buffer rate

(Article 133(9)(e) CRD)

Specify the intended SyRB rate. If different buffer requirements apply to different exposures or subsets of exposures, please specify for each exposure indicated under 2.2.

Please indicate any changes to the list in 2.1 of institutions concerned and in the buffer rates given in point 2.5 as compared to the last notification, and provide an explanation, if applicable.

Exposures	New SyRB rate		Previous SyRB rate	
	All institutions (SyRB rate)	**Set of institutions** (range of SyRB rates)	**All institutions** (SyRB rate)	**Set of institutions** (range of SyRB rates)
(a) All exposures located in the Member State that is setting the buffer	4.5%	% - %	4.5%	
(b) *The following sectoral exposures located in the Member State that is setting the buffer:*				
(i) All retail exposures to natural persons that are secured by residential property	%	% - %		
(ii) All exposures to legal persons that are secured by mortgages on commercial immovable property	%	% - %		
(iii) All exposures to legal persons excluding those specified in point (ii)	%	% - %		

(iv) All exposures to natural persons excluding those specified in point (i)	%	% - %		
(c) All exposures located in other Member States	%	% - %		
(e) Exposures located in third countries	%	% - %		
(f) *Subsets of any of the sectoral exposures identified in point (b):*				
(i) Please specify the subset [Dimension/subdimensions]	%	% - %		

If different buffer requirements apply to different subsets of institutions, please specify for each institution mentioned under 2.1.

Set of institutions				
Exposures	**Name of institution**	**LEI code**	**New SyRB rate**	**Previous SyRB rate**
			%	
			%	
			%	

3. Timing for the measure

3.1 Timing for the decision	The final decision will be made by the Ministry of Finance after the notification procedure has been completed.
3.2 Timing for publication	The final decision will be announced as soon as it is made by the Ministry of Finance.
3.3 Disclosure	The Ministry will publish this notification on the same day as it is submitted, as an attachment to a news item. Norges Bank's advice was published in November: Advice on the systemic risk buffer (norges-bank.no), as was also the advice of Finanstilsynet (Norwegian FSA) Brev til Norges Bank: Vurdering av nivået på systemrisikobuffersatsen (finanstilsynet.no) (Norwegian only).
3.4 Timing for application	31/12/2022
3.5 Phasing in	When the current systemic risk buffer was announced in 2019, institutions not using the Advanced IRB Approach were granted a phasing-in period until 31 December 2022 to ensure that the new requirement entered into effect after Pillar 2 requirements may have been reassessed, in order to promote consistency between Pillar 1 and Pillar 2 requirements. Pillar 2 assessments are conducted every second or third year for these institutions. Finanstilsynet has since year-end 2019 reassessed Pillar 2 requirements for several non-AIRB institutions, although the work was affected by the pandemic. The assessments are however delayed, and a significant number of non-AIRB institutions will receive reassessed Pillar 2 requirements in 2023. The Ministry of Finance has therefore decided to prolong the phasing-in period with one year. The 4.5 systemic risk buffer shall apply for institutions not using the Advanced IRB Approach from 31 December 2023.
3.6 Review/deactivation of the measure	The measure will be reviewed at least every second year. Norges Bank will give advice to the Ministry of Finance at least every second year, according to

	Norwegian regulation. Norges Bank has published a framework for its advice, see A framework for advice on the systemic risk buffer (norges-bank.no)
4. Reasons for the notified SyRB	
4.1 Description of the macroprudential or systemic risk in your Member State **(Article 133(9)(a) of the CRD)**	Norwegian authorities' assessment is that structural vulnerabilities in the financial system are at approximately the same level as when the SyRB requirement was set at 4.5 percent. In the assessment of the SyRB, Norwegian authorities place particular emphasis on three structural vulnerabilities in the Norwegian financial system: 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. High indebtedness in many households is the most important structural vulnerability in the Norwegian financial system. Household leverage is close to a historically high level, and it is high compared with other countries. Household debt in Norway largely reflects elevated house prices and a large proportion of home ownership. High indebtedness makes households vulnerable to loss of income, higher interest rates or a fall in house prices. If many households reduce consumption sharply, firms' earnings are impaired and banks may face higher losses on corporate exposures. This constitutes a risk to the financial system and can amplify a downturn in the Norwegian economy. A sharp fall in house prices may also lead to substantial bank losses on non-performing residential mortgages of households with a high debt-to-value ratio. Household leverage is approximately at the same level as before the pandemic. Bank's exposures to CRE are high. Banks' CRE lending accounts for around half of total corporate lending. Experience from banking crises in Norway and abroad have shown that losses on CRE exposures have been an important factor behind solvency problems in the banking sector. The CRE share of banks' exposures has been stable over the past few years. Covered bonds issued by other Norwegian banks' account for a substantial portion of banks' liquidity reserves. This implies that problems at one bank can more easily spread to other banks. If there are simultaneous fire sales of covered bonds by a number of banks, prices may fall sharply. Banks will then incur losses and the value of banks' liquidity portfolios will be reduced, making them less able to withstand liquidity problems. The share of covered bonds in banks' liquidity reserves has fallen over the recent years. At the same time, banks' covered bond holdings are little changed. Other structural vulnerabilities were also given weight. Banks account for a large share of household and corporate credit and are therefore important for the Norwegian economy. Furthermore, the banking sector is concentrated, and the business sector is characterized by a low degree of diversification. These vulnerabilities have changed little in recent years. For further information, see Norges Bank *Financial stability 2022* Financial Stability Report 2022: vulnerabilities and risks (norges-bank.no) and Norges Bank's framework for the advice on the Systemic Risk Buffer including indicators The systemic risk buffer (norges-bank.no). See also the advice of Finanstilsynet (Norwegian FSA) Brev til Norges Bank: Vurdering av nivået på systemrisikobuffersatsen (finanstilsynet.no) (Norwegian only).

4.2 Reasons why the dimension of the macroprudential or systemic risks threatens the stability of the financial system in your Member State **(Article 133(9)(b) CRD)**	Owing to vulnerabilities in the financial system, shocks may have more serious consequences for the financial system and Norwegian economy, confer 4.1 above.
4.3 Indicators used for activation of the measure	For the activation reference is made to the notification in 2020. For the resetting/review in 2022 indicators are provided at Norges Bank's website Indicators systemic risk buffer 2022 (norges-bank.no), referring to 4.1 above for an assessment. A link to the data series can be found at The systemic risk buffer (norges-bank.no).
4.4 Effectiveness and proportionality of the measure **(Article 133(9)(c) CRD)**	Owing to vulnerabilities in the financial system, shocks may have more serious consequences for the financial system and Norwegian economy. The SyRB helps to ensure that banks hold sufficient capital to weather future downturns. The SyRB should reflect the assessment of structural vulnerabilities in the financial system, which are persistent features of the financial system that change rarely or little from year to year, such as high debt levels and interconnected banks. Bank crises are costly to society. Norges Bank has analysed the economic costs and benefits of bank capital requirements, see *Financial Stability Report* 2022. The Bank's estimates indicate that Norwegian banks' capital ratios are within a reasonable range for long-term capital adequacy. The Bank's analysis does not take into account that vulnerabilities may vary over time. The estimates are based on a number of assumptions, and the results are uncertain. The analysis shows that economic costs are higher if banks adjust to a capital adequacy ratio that is too low rather than too high. Stress tests conducted by Norges Bank and Finanstilsynet show that sharp economic downturns can result in such large bank losses that banks will draw down their capital buffers. How far banks draw down their capital buffers depends on the scenarios. Stress tests show some of the many possible negative events that the financial system can face and outline possible outcomes of how the financial system copes with sharp, but not inconceivable, downturns. Stress tests have often included scenarios of a sharp global economic downturn, a steep fall in oil and gas prices and higher credit premiums, which result in a sharp economic downturn in Norway and large bank losses. Norges Bank's stress tests take into account that financial system vulnerabilities amplify economic downturns, and the depth of the crisis will therefore depend on the vulnerabilities. The stress test in *Financial Stability Report* 2022 is based on a scenario of high inflation combined with a severe downturn in the Norwegian economy. The stress test shows that the capital buffers of the largest Norwegian banks as a whole are sufficient to absorb losses in such a scenario. There is uncertainty as to how large losses will be in a downturn. A sensitivity analysis in the stress test illustrates how higher losses and a weaker interest margin may induce banks to draw down the SyRB. In the event of a pronounced downturn, the SyRB rate can be lowered if a CCyB rate reduction is insufficient. This can contribute to dampening the downturn. The SyRB should only be reduced if the banking system is assessed to be sufficiently capitalised to weather the downturn. The SyRB requirement is justified by structural vulnerabilities in the Norwegian financial system, and it is uncertain how these vulnerabilities will affect the composition of bank losses in a downturn. Therefore, the SyRB requirement should apply to all Norwegian and foreign banks' exposures in Norway.

4.5 Reason why the systemic risk buffer is not duplicating the functioning of the O-SII buffer provided for in Article 131 CRD **(Article 133(9)(f) CRD)**	The focus of the O-SII assessments are individual banks and how these banks represent relatively higher risk for the banking system. The focus of the SyRB is the more inherent systemic risk in the entire banking system. The level of O-SII buffers, which three Norwegian institutions are subject to, is taken into account when assessing the need (both scope and calibration) for a SyRB in Norway. This ensures that, while both buffers are supposed to address elements of the broad *concept* of concentration risk, the SyRB requirement is not duplicating the O-SII buffers.
5. Sufficiency, consistency and non-overlap of the policy response	
5.1 Sufficiency of the policy response	Referring to 4.1 and 4.4 above: Structural vulnerabilities in the financial system are at approximately the same level as when the SyRB requirement was increased to 4.5 percent. The SyRB at 4.5 percent helps to ensure that banks hold sufficient capital to weather future downturns. The financial stability outlook has weakened over the past year. There are considerable spillovers in both Europe and globally from the ongoing war in Ukraine and the after-effects of the Covid-19 pandemic. There is substantial uncertainty about the economic outlook. Norwegian banks satisfy the capital requirements and are highly profitable, making them well equipped to absorb higher losses. It is now especially important that the financial system remains resilient so that it can perform its tasks effectively also in the event of severe economic downturns and crises. Maintaining the SyRB requirement contributes to this aim.
5.2 Consistency of application of the policy response	The assessment is that structural vulnerabilities in the Norwegian financial system are at approximately the same level as when the SyRB requirement was increased to 4.5 percent, confer 4.1 above. Owing to the vulnerabilities, shocks may have more serious consequences for the financial system and Norwegian economy, and the SyRB helps to ensure that banks hold sufficient capital to weather future downturns, confer 4.4 above. The current SyRB is maintained both in scope and level: 4.5 percent for all exposures in Norway, applicable to all banks authorised in Norway. Less than half of EU countries have a SyRB requirement. Among the countries having a SyRB requirement, the application differs along several dimensions.
5.3 Non-overlap of the policy response	The vulnerabilities in the Norwegian financial system are addressed by a number of regulations. The role of the SyRB is distinct to the other regulations: Floors for risk weights are primarily a backstop that prevents banks' capital levels from becoming too low following a fall in risk weights. Systemically important banks are required to maintain a larger capital buffer (O-SII) because problems in a systemically important bank can have severe negative consequences for the economy. The countercyclical capital buffer should primarily reflect the assessment of cyclical vulnerabilities in the financial system. The requirements in the Lending Regulation affect household borrowing more directly. See also comment on the relation between the Norwegian SyRB and O-SII in 4.5 above.
6. Cross-border and cross-sector impact of the measure	

6.1 Assessment of cross-border effects and the likely impact on the Internal Market **(Article 133(9)(d) of the CRD and Recommendation ESRB/2015/2[3])**	The measure will promote domestic financial stability in Norway by safeguarding the resilience in the financial system, and ensure that banks continue to be adequately capitalized given the level of structural vulnerabilities. For several institutions domiciled in other Nordic countries, lending in the Norwegian market constitutes a significant portion of their total lending. The measure may therefore have a significant positive impact for the Nordic institutions and the other EEA markets where they have activities, since it could mitigate potential losses on Norwegian credit exposures. Reciprocity will, however, be crucial in order to avoid leakages and regulatory arbitrage, in addition to ensuring that the foreign institutions' loss-absorbing capacity is aligned with their risk exposure in the Norwegian market. Reciprocity in the Nordic region is particularly facilitated by an MoU signed by the relevant Nordic ministries in 2016, which acknowledges ESRB recommendations as a "minimum standard for reciprocity in macro-prudential matters". ESRB recommended reciprocation of the current Norwegian SyRB at 4.5 percent.
6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	The measure is not expected to contribute to leakages or regulatory arbitrage within the Norwegian financial system. Experiences with current capital levels in Norwegian institutions do not suggest that there is significant potential for migration to "shadow banking" or other sectors of the financial system.
6.3 Request for reciprocation by other Member States **(Article 134(5) CRD and Recommendation ESRB/2015/2)**	Does the authority intend to ask the ESRB to issue a recommendation to other Member States to reciprocate the measure in accordance with Article 134(5) CRD? Yes - If yes, please provide in Section 6.4. the justification for that reciprocity.
6.4 Justification for the request for reciprocation by other Member States **(Article 134(5) CRD and Recommendation ESRB/2015/2)**	The Ministry of Finance requests the ESRB to issue a recommendation to other Member States to reciprocate the measure. Institutions established in other Member States have significant exposures and activities in the Norwegian lending market, and should be subject to the same requirements as Norwegian institutions. Lending from branches of banks from other Nordic countries constitutes around 1/3 of the Norwegian bank lending market. In an integrated financial system like the Nordic banking market, strong policy coordination is needed to ensure the effectiveness of national macroprudential policies. Coordination based on the competence of national authorities to assess which macroprudential measures are necessary to facilitate financial stability given national vulnerabilities, is a matter of common interest. Reciprocity will be crucial in order to avoid leakages and regulatory arbitrage, in addition to ensuring that the foreign institutions' loss-absorbing capacity is aligned with their risk exposure in the Norwegian market. ESRB recommended reciprocation of the current Norwegian SyRB at 4.5 percent for all exposures in Norway, and the buffer is now maintained with this resetting/review. The materiality threshold for reciprocation of the current 4.5 percent SyRB requirement was set at a risk weighted exposure amount of NOK 32 bn. (corresponding to 1 per cent of total risk exposure), confer the Ministry of

[3] 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 (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).

Finance's letter to the ESRB of 2 February 2021. The threshold was based on general guidance from the ESRB handbook on operationalizing macroprudential policy, where it is stated that "The activating Member State may use 1% of the total exposure (as defined above) as a starting value when calibrating a materiality threshold." The 1 percent value is thus a general starting point for assessing reciprocation thresholds for various macroprudential measures in the EEA legislation, including higher risk-weights, higher LGDs and measures in the "flexibility package" of Article 458 CRR. There are arguably differences in the administrative costs of reciprocating the various measures, both for banks and supervisors, which should imply materiality thresholds that differ from 1 percent in both directions.

The Ministry of Finance has reassessed the materiality threshold for the Norwegian SyRB, and is of the view that there should be a lower materiality threshold than the general starting point of 1 percent. This assessment is based on the following:

Norway has a positive countercyclical capital buffer (CCyB) – for which there is mandatory reciprocity without any materiality threshold. Given that a foreign financial institution already reciprocates the Norwegian CCyB, the administrative cost of also reciprocating the Norwegian SyRB – both for the bank and for its financial supervisor - should be small. As the Norwegian SyRB applies to all banks and all domestic exposures, foreign banks should reciprocate the SyRB in parallel to reciprocating the CCyB.

The CRD has a specific article (Article 134) on recognition (reciprocation) of SyRB, which does not mention materiality thresholds, neither a basis for nor a need for such thresholds.

The Nordic banking market is highly integrated. In a more integrated market the need for similar regulation, which reciprocation helps to ensure, is higher. Moreover, the cost of reciprocation is arguably lower as there is already established extensive cross-border regulatory competence and cooperation.

Although some of the above arguments point towards no (zero) materiality threshold, there could be merit in having a threshold that allows the reciprocating countries to make cost-efficient judgments to how small exposures in Norway that should be reciprocated. In particular, such a threshold could be valuable for reciprocating countries that are not part of the highly integrated Nordic banking market.

On this basis, the Ministry of Finance proposes a materiality threshold for reciprocation of the Norwegian SyRB at a risk weighted exposure amount of NOK 5 bn.

Owed to today's high threshold of NOK 32 bn., only AIRB institutions are currently subject to reciprocation of the Norwegian SyRB. For non-AIRB institutions, the application date mentioned in 3.5 above (31 December 2022) may be relevant for decisions on reciprocation.

7. Combination of the SyRB with other buffers

7.1 Combination with G-SII and/or O-SII buffers

(Article 131(15) CRD)

Name of institution	G-SII/O-SII buffer rate	O-SII consolidation level	Sum of G-SII/O-SII and SyRB rates
DNB Bank ASA	2%	All levels	6.5%
Kommunalbanken AS	1%	All levels	5.5%
Nordea Eiendomskreditt AS	1%	All levels	5.5%

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7.2 Combination with other systemic risk buffers **(Article 133(11) and (12) CRD)**	All banks authorised in Norway will be subject to a SyRB of 4.5%, confer part 2 above.
8. Miscellaneous	
8.1 Contact person(s)/mailbox at notifying authority	Contact person(s) (name, phone number and e-mail address) and mailbox for further inquiries. Tormod Fauske Tho Phone: +47 22 24 45 11 / +47 22 24 45 21 E-mail: tho@fin.dep.no
8.2 Any other relevant information	The Ministry of Finance notified the ESRB on 30 September 2022 of its intention to require certain institutions to maintain an O-SII buffer in accordance with CRD Article 131, confer 7.1 above.
8.3 Date of the notification	Please provide the date on which this notification was uploaded/sent. 16/12/2022