



Decision of the Board of the Financial Supervisory Authority on the application of a minimum risk weight for Swedish residential mortgage loans

At its meeting on 22 February 2022, the Board of the Financial Supervisory Authority (FIN-FSA) decided to recognise, pursuant to Article 458(5) of the Capital Requirements Regulation (CRR, 575/2013) and section 10, subsection 1, paragraph 6 of the Act on the Financial Supervisory Authority, the average minimum risk weight of 25% for residential mortgage loans granted by credit institutions using the Internal Ratings Based (IRB) approach adopted by the Swedish Finansinspektionen on 16 December 2021 and valid from 31 December 2021. The FIN-FSA's decision will apply to individual credit institutions registered in Finland with a residential mortgage loan stock in Sweden exceeding SEK 5 billion.

On 16 December 2021, the Swedish competent authority, Finansinspektionen, decided to keep in force its decision of 22 August 2018 on an average minimum risk weight of 25% for residential mortgage loans granted by credit institutions using the IRB approach. The decision has already been renewed once, on 15 December 2020. The decision taken now came into effect on 31 December 2021 and will remain in force until 30 December 2023.

The measure is based on Article 458(2)(d)(iv) of the CRR, which provides that the competent authority may introduce higher risk weights for targeting asset price bubbles in the real estate sector to mitigate macroprudential risks in the financial system. The minimum risk weight imposed by Finansinspektionen is institution-specific and applies to retail exposures in Sweden secured by immovable property.

On 12 November 2021, the European Commission decided not to propose to the Council that the draft decision of Finansinspektionen be rejected. A notification on the matter was sent to EU authorities and the supervisory authorities of other countries on 20 September 2021. The notification included a request that other countries reciprocate the measure and apply the minimum risk weight in respect of credit institutions registered in other countries.

In line with the FIN-FSA's previous decisions to recognise the risk weight floor for Swedish residential mortgage loans, it is justified that the measure continues to apply to credit institutions registered in Finland. This will support a level playing field in the Swedish residential mortgage lending market and help ensure the adequacy of capital against risks from Swedish residential mortgage loans. The FIN-FSA's decision takes into account the criteria specified in Article 458(4) of the CRR.

The minimum risk weight will apply to individual credit institutions with a residential mortgage loan stock in Sweden exceeding SEK 5 billion.

In accordance with Article 458(6) of the CRR, the FIN-FSA will notify the Council, the Commission, the European Banking Authority (EBA), the European Systemic Risk Board (ESRB) and Finansinspektionen of the recognition of Finansinspektionen's decision.