

Decision of the Board of the Financial Supervisory Authority on minimum risk weight of 25 per cent for residential mortgage loans in Sweden

At its meeting on 18 February 2021, the Board of the Financial Supervisory Authority decided to adopt, 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, that the average minimum risk weight of 25 per cent for residential mortgage loans awarded by credit institutions applying the IRB Approach, adopted by the Swedish Financial Supervisory Authority (Finansinspektionen) on 15 December 2020 and valid from 30 December 2020, will also be applied to credit institutions registered in Finland. The minimum risk weight applies to individual credit institutions with a residential mortgage loan stock in Sweden exceeding SEK 5 billion.

On 15 December 2020, the Swedish competent authority, Finansinspektionen, took a decision to continue the average minimum risk weight of 25 per cent for residential mortgage loans awarded by credit institutions applying the IRB Approach, which it imposed on 22 August 2018. The decision came into effect on 30 December 2020 and will remain in force until 30 December 2021.

The measure is based on Article 458(2)(d)(vi) of the CRR, which provides that the competent authority may introduce higher risk weights on asset price bubbles in the real estate sector to prevent the build-up of macroprudential risks in the financial system. The minimum risk weight imposed by Finansinspektionen is institution-specific and applies to household mortgage-secured exposures in Sweden.

On 12 November 2020, the European Commission decided not to propose to the Council that the preliminary decision of Finansinspektionen be rejected. A notification was sent to EU authorities and the supervisory authorities of other countries on 16 September 2020. The notification includes a request that other countries adopt the minimum risk weight for application to credit institutions registered in other countries.

The minimum risk weight applies 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 Financial Supervisory Authority shall notify the Council, the Commission, the European Banking Authority (EBA), the European Systemic Risk Board (ESRB) and Finansinspektionen of the adoption of the decision.