



FIN-FSA Board decision concerning countercyclical capital buffer and maximum loan-to-collateral ratio

At its meeting on 29 June 2018, the Board of the Financial Supervisory Authority (FIN-FSA) decided not to impose a countercyclical capital buffer requirement ('variable add-on') as referred to in chapter 10, section 4 of the Credit Institutions Act (610/2014).

The Board also decided that the decision of a lower maximum loan-to-collateral (LTC) ratio, taken on 9 March 2018 under chapter 15, section 11 of the Credit Institutions Act, remains in force. With this decision, the Board lowered the maximum LTC ratio for residential mortgage loans other than first-home loans by 5 percentage points.

Justification for the decision

Countercyclical capital buffer requirement

The most recent observation from the fourth quarter of 2017 for the credit-to-GDP gap, used as the primary indicator for setting a countercyclical capital buffer (CCyB) requirement, is strongly negative, -7.4% (the observation for the third quarter was revised from -4.8% to -4.6%), thus giving a reference value of 0.0% for the CCyB requirement.

Despite some signals of higher cyclical risks, indicators of credit growth and growth in financial market risk appetite as well as other supplementary risk indicators (such as overall economic developments and housing price developments) are not, overall, signalling such a build-up of financial system risks as would necessitate an immediate rise in the CCyB requirement. Assessments of the need to tighten the CCyB requirement have also been taken into consideration other macroprudential policy measures, such as the imposition of a systemic risk buffer.

Maximum loan-to-collateral ratio

The maximum loan-to-collateral (LTC) ratio for residential mortgage loans restricts the amount of a residential mortgage to 90% at most (in the case of a first home purchase, to 95% at most) of the current value of collateral posted at loan approval. In order to limit any exceptional build-up of risks to financial stability, the Board of the FIN-FSA may decide to reduce these maximum amounts by not more than 10 percentage points. In addition, it may decide to restrict the taking into account of any collateral security other than real security in calculating the LTC ratio.

On 19 March 2018, the FIN-FSA Board decided to lower the maximum LTC ratio for residential mortgage loans other than first-home loans by 5 percentage points. According to the updated risk assessment, mortgage lending and household indebtedness-related risk factors considered in taking macroprudential policy decisions have remained unchanged from



the previous quarter. Therefore, it is justified that the decision of a lower maximum LTC ratio remain in force.