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]);
- notifications@esrb.europa.eu 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 (the Norwegian Ministry of Finance)
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authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.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
Nordiska Financial Partner AS	Nordiska Kreditmarknadsaktiebolaget	5967007LIEEXZX83HC38
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;

<table>
<tr><td></td><td>☐ (d) all exposures located in other Member States;

☐ (e) exposures located in third countries.</td></tr>
<tr><td>2.3 Subsets of sectoral exposures</td><td>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:
<table>
<tr><th>Dimensions/subdimensions</th><th>Elements</th></tr>
<tr><td>1. Type of debtor or counterparty sector</td><td></td></tr>
<tr><td>1.a Economic activity</td><td></td></tr>
<tr><td>2. Type of exposure</td><td></td></tr>
<tr><td>2.a Risk profile</td><td></td></tr>
<tr><td>3. Type of collateral</td><td></td></tr>
<tr><td>3.a Geographical area</td><td></td></tr>
</table>
- 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?</td></tr>
<tr><td>2.4 Exposures located in other Member States and in third countries</td><td>N/A</td></tr>
<tr><td>2.5 Buffer rate

(Article 133(9)(e) CRD)</td><td>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.
<table>
<tr><th rowspan="2">Exposures</th><th colspan="2">New SyRB rate</th><th colspan="2">Previous SyRB rate</th></tr>
<tr><th>All institutions (SyRB rate)</th><th>Set of institutions (range of SyRB rates)</th><th>All institutions (SyRB rate)</th><th>Set of institutions (range of SyRB rates)</th></tr>
<tr><td>(a) All exposures located in the Member State that is setting the buffer</td><td>4.5%</td><td>% - %</td><td>4.5%</td><td></td></tr>
<tr><td colspan="3">(b) The following sectoral exposures located in the Member State that is setting the buffer:</td><td></td><td></td></tr>
<tr><td>(i) All retail exposures to natural persons that are secured by residential property</td><td>%</td><td>% - %</td><td></td><td></td></tr>
<tr><td>(ii) All exposures to legal persons that are secured by</td><td>%</td><td>% - %</td><td></td><td></td></tr>
</table></td></tr>
</table>

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 May: Advice on the systemic risk buffer (Norges-Bank.no), as was also the advice of Finanstilsynet (Norwegian FSA) Vurdering av nivået på systemrisikobuffersatsen (Finanstilsynet.no) (Norwegian only)
3.4 Timing for application	31/12/2024
3.5 Phasing in	N/A
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 kept unchanged at 4.5 percent in 2022. In the assessment of the SyRB, Norwegian authorities place particular emphasis on two structural vulnerabilities in the Norwegian financial system: i) many households are highly indebted and ii) banks' CRE exposures are high. In addition, Norwegian authorities attach weight to banks' high exposures to customers vulnerable to climate transition and to the fact that one bank's funding is another's liquidity reserve. Household leverage remains high historically and compared with other countries. Over the past two years, leverage has declined somewhat but is higher than prior to the pandemic. High indebtedness makes households vulnerable to loss of income, higher interest rates and/or a fall in house prices. In the event of unexpected negative shocks, many households may reduce consumption sharply, which could impair firms' earnings, and banks may face higher losses on corporate exposures. This constitutes a risk to the financial system and may amplify a downturn in the Norwegian economy. Experience from banking crises in Norway and abroad have shown that losses on CRE exposures have been an important cause of solvency problems in the banking sector. Banks' CRE lending accounts for around half of total corporate exposures. This share has been stable in recent years. Many CRE firms have high debt-to-revenue ratios, and profitability has diminished owing to higher interest expenses in recent years. However, high employment and rising rental income have enabled most firms to cope with higher interest expenses. Higher interest rates have also resulted in lower commercial property prices in recent years. If demand for commercial premises were to fall markedly, driven by, for example lower employment or structural changes such as a rise in remote working, both rental income and selling prices would fall. If a fall in selling prices leads to negative equity in banks' collateral and firms default on their debt, banks may incur losses. Climate change and energy transition will lead to higher costs for many households and firms in the years ahead. Costs related to emission taxes and energy efficiency improvements, and expenses related to damage caused by changes in weather and climate are expected to increase. Banks have large exposures to some sectors that are particularly vulnerable to climate transition, including shipping and oil extraction. In addition, higher energy efficiency standards are in the pipeline for the real estate sector, where banks also have large exposures. In the event of abrupt changes, business and household costs may entail higher losses for banks than would otherwise have been the case. At the same time, investment needs relating to climate transition may increase. Banks are interconnected through interbank exposures and common or similar securities in their liquidity reserves. Covered bonds issued by other Norwegian banks account for a substantial portion of banks' liquidity reserves. The share has changed little in recent years. This interconnectedness 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. Fire sales inflict losses on banks. This may occur at the same time as banks incur substantial credit losses, for example in a downturn with a sharp fall in property prices. The main instrument to protect against this vulnerability are current liquidity requirements, which reduce the risk of fire sales and thus a sharper fall in the value of banks' liquidity portfolios. LCR rules require liquid assets in the liquidity reserves to be sufficiently diversified, and Finanstilsynet (Norwegian FSA) has recommended that covered bonds secured against

	Norwegian property should not make up more than half of banks' liquidity reserves. For further information, see *Financial stability* 2024 H1 (Norges-bank.no) and Norges Bank's framework for the advice on the Systemic Risk Buffer Advice on the systemic risk buffer (norges-bank.no). See also the advice of Finanstilsynet (Norwegian FSA) 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 and 4.4 below.
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 2024, indicators are provided at Norges Bank's website The systemic risk buffer (norges-bank.no), referring to 4.1 above for an assessment.
4.4 Effectiveness and proportionality of the measure **(Article 133(9)(c) CRD)**	Owing to vulnerabilities in the financial system, negative shocks can have serious consequences for the financial system and the 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, ie persistent features of the financial system that change rarely or little from year to year. Norges Bank has analysed the economic costs and benefits of bank capital requirements (see *Financial Stability Report* 2022 (norges-bank.no)). The results indicate that Norwegian banks' capital ratios are within a reasonable range for what banks' long-term capital adequacy should be. The analysis also 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 a severe economic downturn could result in large bank losses that banks will draw down their capital buffers. 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 current vulnerabilities. The stress test in *Financial Stability Report* 2024 H1 is based on a scenario that includes a severe downturn in the Norwegian economy and a sharp fall in property prices. 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. Downturns can also occur in rapid succession, and overall losses can therefore be substantial. 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. The SyRB should only be reduced if it can contribute to dampening the downturn and the banking system is assessed to be sufficiently capitalised to weather the downturn. In the assessments of banks' overall capital needs, it is the banks' equity capital available to absorb losses that is of importance. The analyses are based on current capital regulations. Regulatory changes ahead have been signalled, such as the introduction of the EU's updated capital framework (CRD VI/CRR III). This can result in somewhat lower risk weights for Norwegian

	banks, particularly for standardised approach banks. The changes are likely too minor to significantly affect overall capital needs. A number of countries have introduced sectoral SyRBs in recent years, and the IMF has pointed out that it can be appropriate to introduce a sectoral SyRB for CRE exposures in Norway. Norges Bank has assessed whether parts of the current SyRB should be replaced with a sectoral SyRB, but the Bank does not propose such a change. The effect of vulnerabilities on the composition of banks' losses in a downturn is uncertain. Losses can arise in many different sectors, suggesting that a SyRB requirement should apply to all 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 four 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. Moreover, the ESRB has not found any evidence that the systemic risk buffer rate is fully or partially duplicating the functioning of the O-SII buffer provided for in Article 131 of Directive 2013/36/EU (see Recommendation of the European systemic risk board of 6 March 2023 (esrb.eurpoa.eu)).
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 Norwegian financial system is robust, but there is still uncertainty about the economic outlook and market developments. It is important to maintain the resilience of the financial system so that vulnerabilities do not amplify an economic downturn. Capital buffer requirements contribute to this.
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. 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 has 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)**	Yes
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.

[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).

	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 5 bn. Norway has a positive countercyclical capital buffer (CCyB) – for which there is mandatory reciprocity up to 2.5 percent 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. On this basis, the Ministry of Finance proposes to maintain the materiality threshold for reciprocation of the Norwegian SyRB at a risk weighted exposure amount of NOK 5 bn.
7. Combination of the SyRB with other buffers	
7.1 Combination with G-SII and/or O-SII buffers **(Article 131(15) CRD)**	Is the sum of the systemic risk buffer rate and the higher of the O-SII/G-SII buffer rates to which the same institution is subject above 5%? Please provide a list of the institutions subject to a G-SII or an O-SII buffer, indicating the G-SII or O-SII buffer and the sum of the G-SII/O-SII and SyRB buffers (a combined buffer rate of over 5% requires authorisation by the Commission).
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	Tormod Fauske Tho Phone: +47 22 24 45 11 / +47 22 24 45 21 E-mail: Tormod-fauske.tho@fin.dep.no
8.2 Any other relevant information	
8.3 Date of the notification	29/08/2024

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	2,0 %	All levels	6,5 %
Kommunalbanken AS	1,0 %	All levels	5,5 %
Nordea Eiendomskreditt AS	1,0 %	All levels	5,5 %
Sparebank 1 SR-Bank ASA	1,0 %	All levels	5,5 %
	%		%
	%		%
	%		%