



Decision of the Board of the Financial Supervisory Authority on the extension of the period of application of the risk weight floors set by the Norwegian macroprudential authority

The Board of the Financial Supervisory Authority decided at its meeting on 27 February 2023 to extend the period of application of the average risk weight floors for residential and commercial real estate exposures located in Norway, set by Norway's macroprudential authority (Finansdepartementet), applicable to credit institutions registered in Finland, pursuant to Article 458(5) of the Capital Requirements Regulation (EU) N:o 575/2013 and section 10, subsection 1, paragraph 6 of the Act on the Financial Supervisory Authority. The floor is 20% for Norwegian residential real estate exposures and 35% for Norwegian commercial real estate exposures. The floors will apply, as of 27 February 2023, to credit institutions that have adopted IRB approaches for credit risk and whose Norwegian residential real estate exposures exceed NOK 32.3 bn and commercial real estate exposures exceed NOK 7.6 bn.

Justifications for the decision

The risk weight floor set by Finansdepartementet for Norwegian residential real estate exposures (20%) and commercial real estate exposures (35%) has been applied to Finnish credit institutions as of 11 September 2021, in accordance with the decision taken in August 2021. In its notification submitted on 16 December 2022, Finansdepartementet notified, pursuant to Article 458(10) of the EU Capital Requirements Regulation (CRR), that it intends to extend the period of application of the risk weight floors.¹ The purpose of the risk weight floors is to ensure that credit institutions have sufficient capital to cover losses caused by possible disruptions in the Norwegian real estate market. The risk weight floors apply to credit institutions that have adopted IRB approaches for credit risk and whose Norwegian residential real estate exposures exceed NOK 32.3 bn and commercial real estate exposures exceed NOK 7.6 bn.

It is justified to continue the application of the risk weight floors to Finnish credit institutions because the justifications for applying the risk weight floors in the Norwegian real estate market have remained unchanged. The extension of the period of application of the risk weight floors is not currently estimated to have direct effects on the capital requirements of Finnish banks, as the supervisory constraints related to IRB approaches for credit risk currently in force are tighter than the risk weight floors. The risk weight floors may however become effective following possible amendments to the credit risk models applied by credit institutions and the restrictions related to the models.

¹ <https://www.regjeringen.no/en/aktuelt/banks-capital-requirements-unchanged/id2951593/>