

Rome, 16 July 2021

Decision not to reciprocate a macroprudential measure applied by Luxembourg on new mortgage loans on residential real estate, pursuant to Recommendation ESRB/2021/2 of the European Systemic Risk Board (ESRB)

Recommendation ESRB/2021/2 of the European Systemic Risk Board (ESRB) recommends that the authorities of the Member States of the European Union reciprocate a macroprudential measure in force in Luxembourg from 1 January 2021.

The measure, not harmonized by European legislation (CRR/CRD), introduces limits on the loan-to-value ratio (LTV) for new mortgage loans on residential real estate located in Luxembourg with differentiated restrictions across categories of borrowers.¹

The Recommendation asks the authorities in other EU countries to implement the same macroprudential measure or to adopt an equivalent one if not available under national law. The Recommendation also provides that national authorities may exempt banks whose exposures are not material (*de minimis* principle). In the event that no bank has significant exposures, national authorities may decide not to follow up on the reciprocation of the measure.

The recommendation provides for both a country-specific materiality threshold (equal to €350 million) and an institution-specific materiality threshold (equal to €35 million). Reciprocation is required if both thresholds are exceeded.

The Italian banking system has no branches in Luxembourg and as of December 2020, loans to households guaranteed by residential properties located in that country, both at the country and at the institutional level, were well below their respective materiality thresholds. Therefore, the Bank of Italy has decided not to reciprocate the Luxembourg measure; however, it will continue to carry out periodic reviews on the exposures of Italian banks to Luxembourg and will change its decision if circumstances so require.

¹ The limits are: an LTV limit of 100 per cent for first-time buyers acquiring their primary residence; (ii) an LTV limit of 90 per cent for other buyers acquiring their primary residence (there is a portfolio allowance: for 15 per cent of new mortgages granted by each bank to these borrowers, the LTV limit is set at 100 per cent); an LTV limit of 80 per cent for other mortgage loans (including the buy-to-let segment).