



**ESRB**

European Systemic Risk Board

European System of Financial Supervision

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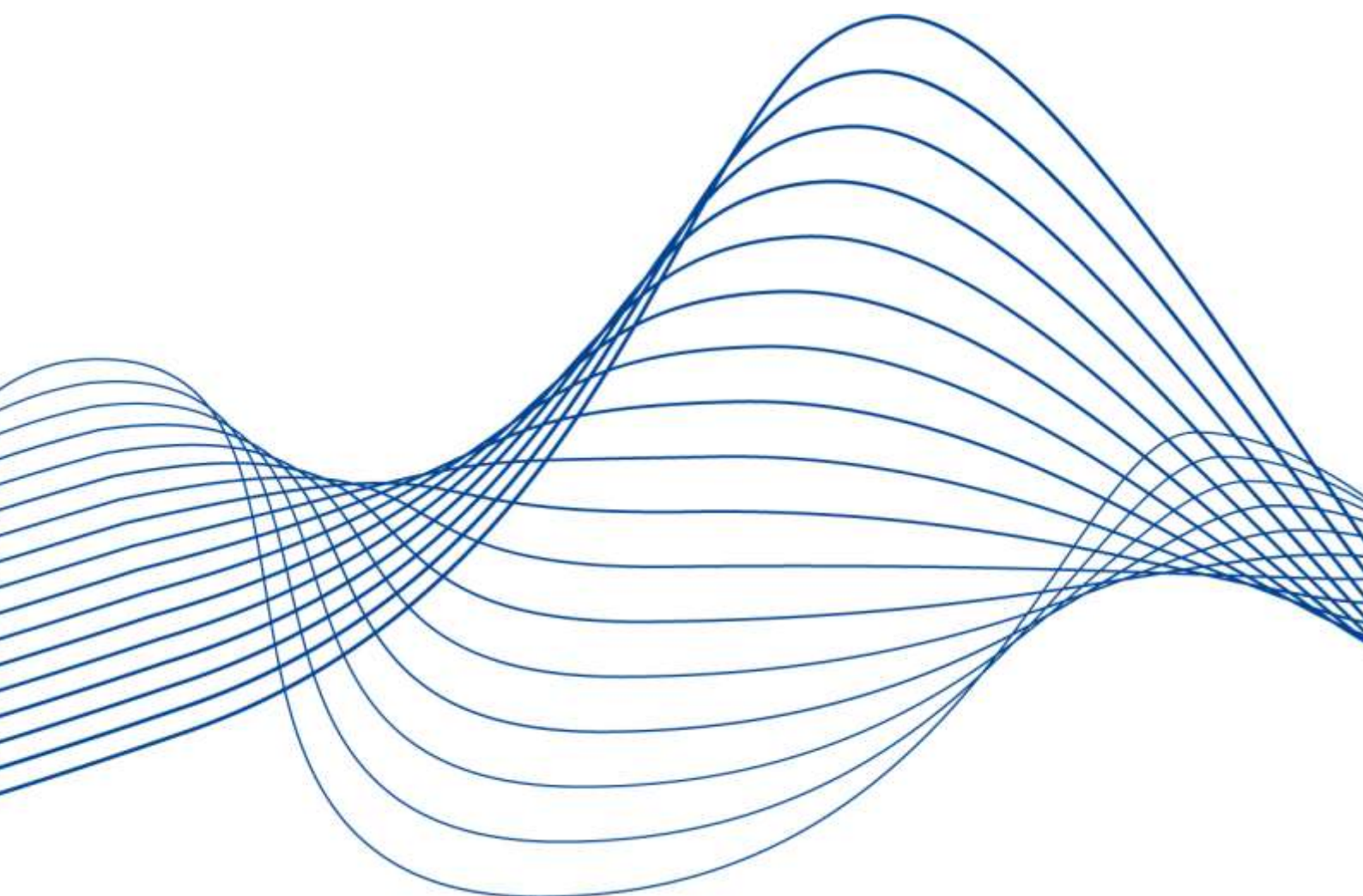
**Follow-up to the Recommendation ESRB/2019/7 on  
medium-term vulnerabilities in the residential real estate  
sector in the Netherlands  
Sub-recommendation B(1) and Recommendation C**

Reporting deadline: **31 October 2021**

Addressees:

**The Netherlands**

**The macroprudential authority, the designated authority or the  
competent authority in the Netherlands, as applicable**



## Introduction

Legal instrument	Recommendation ESRB/2019/7 on medium-term vulnerabilities in the residential real estate sector in the Netherlands
Reporting institution	The Ministry of Finance
Date of reporting	31 October 2021
Confidentiality regime*	
Name and contact details of the respondent	<b>Name:</b> Cor Jan Russcher <b>Email:</b> <a href="mailto:c.j.russcher@minfin.nl">c.j.russcher@minfin.nl</a> <b>Tel:</b> +31 6 1114 9926

\* Please indicate the level of confidentiality you wish to apply to the responses provided herein.

## Timeline for completing the template and submitting the follow-up report

The purpose of this template is to assist the addressees to provide the ESRB with a follow-up report on the assessment of implementation of sub-recommendation B(1) and Recommendation C of the Recommendation ESRB/2019/7 (hereinafter the 'Recommendation'), due by **31 October 2021**.

Addressees are kindly invited to complete this template, summarising the actions taken to comply with the Recommendation or providing adequate justification for inaction **until 31 October 2021**. Addressees are expected to provide relevant information and documentation related to the implementation of Recommendation including information on the substance (such as on the legal form of the measure) and timing of the actions taken. If an addressee only partially complies, it should provide a full explanation of the extent of non-compliance, as well as other details of partial compliance. The explanation should clearly specify the relevant parts of the recommendation which the addressees do not comply with.

## Instructions to addressees

Each addressee should submit the completed template to the ESRB via the ESRB Secretariat. Subsequently, the ESRB Secretariat will arrange for the transmission of the reports to the Commission, the Council and the European Parliament in accordance with Article 17(1) of Regulation No 1092/2010<sup>1</sup>.

For the purposes of reporting to the ESRB, the completed template should be sent to the ESRB Secretariat electronically via DARWIN or ASTRA in the dedicated folder or by email to [ESRBlegal@ecb.europa.eu](mailto:ESRBlegal@ecb.europa.eu) by **31 October 2021**:

<https://darwin.escb.eu/livelink/livelink/app/nodes/346348883>

ASTRA:

<https://astra.ecb.europa.eu/app/#/files?1887614256380123477>

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<sup>1</sup> OJ L 331, 15.12.2010, p. 1

<b>Content of sub-recommendation</b>	<b>Sub-recommendation B(1)</b>
	<p><b>Tightening of borrower-based measures and approach to calibration</b></p> <p>It is recommended that the Netherlands lower the current legally binding limit that applies to the LTV ratio, thus ensuring that collateral for new mortgage loans is sufficient to cover credit losses corresponding to the potential decrease in house prices under adverse economic or financial conditions.</p>
<b>Addressee</b>	<b>The Netherlands</b>
<b>Reporting deadline</b>	<b>31 October 2021</b>
	<b>Sub-recommendation B(1)</b>
<p><b>1. Actions taken</b></p> <p>Please describe the essence of the actions taken to comply with the relevant sub-recommendation, including how it ensures that collateral for new mortgage loans is sufficient to cover credit losses corresponding to the potential decrease in house prices under adverse economic or financial conditions.</p>	<p>Last year, the Dutch government reported on the measures taken to reduce the systemic risks on the Dutch housing market. The government considered the instituted borrower-based measures beneficial to mitigate the systemic risks of the housing market. Therefore, in the interest of ensuring accessibility of the residential real estate market for first time buyers, the Dutch government reported that there are no plans of lowering the legally binding loan-to-value (LTV) limit beyond 100%. Please find a more detailed substantiation of this position in the follow-up on recommendation B(1) that the Dutch government provided last year.</p> <p>Currently, in the Netherlands a new cabinet is being formed after the general elections for the House of Representatives. Measures with regard to the Dutch housing market will most likely be part of the discussions. At this moment, we cannot provide any new updates with regard to recommendation B(1). However, next year we will provide a new, more detailed follow-up on both recommendation B(1) and D.</p>

<p><b>2. Timeline</b></p> <p>Please indicate the time period when the actions required under the relevant sub-recommendation were taken.</p>	
<p><b>Compliance Criteria</b></p>	<p><b>Sub-recommendation B(1)</b></p>
<p><b>1. Compliance criterion</b></p> <p>Please describe how you applied the principle of proportionality, taking into account the objective and content of this recommendation.</p> <p><i>[Article 1(a) of Section 2.2 of the Recommendation]</i></p>	
<p><b>2. Compliance criterion</b></p> <p>Please provide evidence on the assessment you made of the position of the Netherlands in the economic and financial cycles prior to further lowering the existing limits that apply to the LTV ratio.</p> <p><i>[Par. 1 and 2 of Recommendation B, Annex I]</i></p>	

<p><b>3. Compliance criterion</b></p> <p>Please describe how the calibration and phasing-in of the measure lowering the existing limit that applies to the LTV ratio took into account the position of the Netherlands in the economic and financial cycles.</p> <p><i>[Article 1(b) of Section 2(2) of the Recommendation]</i></p>	
<p><b>4. Compliance criterion</b></p> <p>Please include the assessment of the vulnerabilities related to pockets of overvaluation of house prices and the collateralisation of new and existing mortgage loans, including the distribution of new mortgage loans according to their LTV ratios, with the relevant ratios being calculated in accordance with Annex IV to Recommendation ESRB/2016/14 of the European Systemic Risk Board<sup>2</sup>, together with the functioning of the actions undertaken, having regard to the objectives of this Recommendation.</p>	

<sup>2</sup> Recommendation ESRB/2016/14 of the European Systemic Risk Board of 31 October 2016 on closing real estate data gaps (OJ C 31, 31.1.2017, p. 1).

<p>[Article 2(b), Section 2(2) of the Recommendation]</p>	
<p><b>Self-assessment</b></p> <p>In case of action, please provide a self-assessment on whether the actions undertaken are fully compliant, largely compliant, partially compliant, materially non-compliant or non-compliant with the above sub-recommendation.</p>	
<p><b>Justifications</b></p> <p>Please provide, as appropriate, justifications for (i) inaction, (ii) delays in action and (iii) departure from the sub-recommendation, as may be relevant. Please provide a self-assessment on whether the inaction is sufficiently or insufficiently explained.</p>	
<p><b>Additional information</b></p> <p>Please provide other information that is not otherwise covered in the present document and that is relevant for the purposes of the follow-up assessment.</p> <p>Please also attach any relevant documents (if applicable).</p>	

<b>Content of recommendation</b>	<b>Recommendation C</b>
	<p><b>Activation of capital-based measures</b></p> <p>It is recommended that the macroprudential authority, the designated authority or the competent authority in the Netherlands, as applicable, ensure, by activating capital-based measures, the resilience of credit institutions authorised in the Netherlands in the face of the potential materialisation of systemic risk related to residential real estate which could lead to direct and indirect credit losses stemming from mortgage loans or arising as a consequence of the decrease in consumption by households with housing loans.</p>
<b>Addressees</b>	<b>The macroprudential authority, the designated authority or the competent authority in the Netherlands, as applicable.</b>
<b>Reporting deadline</b>	<b>31 October 2021</b>
	<b>Recommendation C</b>
<p><b>1. Actions taken</b></p> <p>Please describe the essence of the actions taken to comply with the relevant recommendation, including how the measure taken ensures the resilience in the face of the potential materialisation of systemic risk.</p>	
<p><b>2. Timeline</b></p> <p>Please indicate the time period when the actions required under the relevant recommendation were taken.</p>	

Compliance Criteria	Recommendation C
<p><b>1. Compliance criterion</b></p> <p>Please describe how you applied the principle of proportionality, taking into account the objective and content of this recommendation.</p> <p><i>[Article 1(a) of Section 2.2 of the Recommendation]</i></p>	
<p><b>2. Compliance criterion</b></p> <p>Please provide evidence of the assessment you took prior to activating capital-based measures about the position of the Netherlands in the economic and financial cycles.</p> <p><i>[Par. 1 of the Recommendation C, Annex I]</i></p>	
<p><b>3. Compliance criterion</b></p> <p>Please describe how the calibration and phasing-in of the capital-based measures took into account the position of the Netherlands in the economic and financial cycles.</p> <p><i>[Article 1(c) of Section 2(2) of the Recommendation]</i></p>	



<p><b>4. Compliance criterion</b></p> <p>In case the adopted capital-based measures were further tightened or additional macroprudential measures were needed to address the vulnerabilities identified in the Netherlands, please provide a description on how the relevant decision took into account the characteristics of the capital-based measures already activated, the initial calibration of those measures and the results of the assessment of vulnerabilities.</p> <p><i>[Par. 2 of the Recommendation C, Annex I]</i></p>	
<p><b>5. Compliance criterion</b></p> <p>Please include the assessment of the vulnerabilities related to pockets of overvaluation of house prices and the collateralisation of new and existing mortgage loans, including the distribution of new mortgage loans according to their LTV ratios, with the relevant ratios being calculated in accordance with Annex IV to Recommendation ESRB/2016/14 of the European Systemic Risk Board<sup>3</sup>, together with the functioning of the actions undertaken, having regard to the objectives of this Recommendation.</p>	

<sup>3</sup> Recommendation ESRB/2016/14 of the European Systemic Risk Board of 31 October 2016 on closing real estate data gaps (OJ C 31, 31.1.2017, p. 1).

<p>[Article 2(b), Section 2(2) of the Recommendation]</p>	
<p><b>Self-assessment</b></p> <p>In case of action, please provide a self-assessment on whether the actions undertaken are fully compliant, largely compliant, partially compliant, materially non-compliant or non-compliant with Recommendation C.</p>	
<p><b>Justifications</b></p> <p>Please provide, as appropriate, justifications for (i) inaction, (ii) delays in action, or (iii) departure from Recommendation C, as may be relevant. Please provide a self-assessment on whether the inaction is sufficiently or insufficiently explained.</p>	
<p><b>Additional information</b></p> <p>Please provide other information that is not otherwise covered in the present document and that is relevant for the purposes of the follow-up assessment.</p> <p>Please also attach any relevant documents (if applicable).</p>	