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]);
- DARWIN/ASTRA 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	**Magyar Nemzeti Bank (MNB)**
1.2 Country of the notifying authority	**Hungary**
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authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.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) <table><tr><th>Name of institution</th><th>LEI code</th><th>Consolidation level</th></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr></table>☐ A subsidiary whose parent is established in another Member State. (Please provide the names and identifiers (LEI code) of subsidiaries) <table><tr><th>Name of subsidiary</th><th>Name of the parent</th><th>LEI code of the subsidiary</th></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr></table>*If the SyRB applies to a subset of institutions, please describe the criteria for selection of the relevant institutions.* **<u>Personal scope</u>** **The requirement to accumulate a systemic risk buffer (hereinafter: applicable systemic risk buffer) as defined in Section 35/A of the MNB Act and Section 92 of the Credit Institutions Act pertains to credit institutions operating in the form of joint-stock companies (hereinafter: credit institutions) and to member institutions of the group containing credit institution and subject to consolidated supervision (hereinafter: credit institution group), with the exception of MFB Zrt., Eximbank Zrt. and KELER Zrt.** **<u>Calibration of institution specific SyRB rates</u>** **The SyRB is applicable to credit institutions with relevant project exposures above the *de minimis* limit (HUF 30 billion) and with calibration ratios calculated as a ratio of weighted targeted exposures to their total Pillar I capital requirement above 30 per cent (See table below).** <table><tr><th>SyRB calibration ratio</th><th>Calibrated SyRB rate</th></tr><tr><td>00.00 – 29.99 %</td><td>+0.0%</td></tr><tr><td>30.00 – 59.99 %</td><td>+1.0%</td></tr><tr><td>60.00 – 89.99 %</td><td>+1.5%</td></tr></table>

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> 90.00 %	+2.0%

The applicable SyRB rate is determined using the weighted average of gross amount of commercial real estate (CRE) project loans extended to domestic and foreign clients. Any loan that meets all the conditions for special lending exposures contained in Article 147 (8) points a)-c) of the CRR and whose purpose is the purchase or development of CRE shall be considered a CRE financing project loan regardless of the location of the property and the residency of the partner. Relevant exposures are weighted as follows:

	Exposures relevant in the SyRB calibration	Weight (%)
a)	Loans classified as non-performing based on Section 5 (1) of the MNB Decree 39/2016 (X. 11.) on prudential requirements for non-performing exposures and restructured receivables, regardless of whether they are transactions under original or restructured contracts.	100
b)	Those (performing) restructured loans that cannot be classified in line a) have been restructured for more than 2 years without interruption from the first restructuring	100
c)	Loans that cannot be classified under lines a) and b).	5

For further detailed information see: https://www.mnb.hu/letoltes/syrb-conditions-21092023-en.pdf

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2.2 Exposures covered by the SyRB

(Article 133(5) CRD)

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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;

☒ (d) all exposures located in other Member States;

☒ (e) exposures located in third countries

For further information see: https://www.mnb.hu/letoltes/syrb-conditions-21092023-en.pdf

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2.3 Subsets of sectoral exposures

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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:*

Dimensions/subdimensions	Elements
1. Type of debtor or counterparty sector	

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<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>
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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?

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<td>2.4 Exposures located in other Member States and in third countries</td>
<td>If the systemic risk buffer applies to exposures located in other Member States or third countries (see points 2.2(d) and (e)), please include the names of those countries.

In the calculation of the SyRB rate, all exposures of domestic banks are considered regardless of their geographical locations. The nominal SyRB itself is determined by multiplying the SyRB rate with the total risk exposure amount (TREA), including both domestic and foreign exposures (both exposures of EEA and third countries).</td>
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<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>0% to TREA</td><td>0% to TREA</td><td>0% to domestic TREA</td><td>0% to domestic TREA</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 mortgages on commercial immovable property</td><td>%</td><td>% - %</td><td></td><td></td></tr>
<tr><td>(iii) All exposures to legal persons excluding those specified in point (ii)</td><td>%</td><td>% - %</td><td></td><td></td></tr>
<tr><td>(iv) All exposures to natural persons excluding those specified in point (i)</td><td>%</td><td>% - %</td><td></td><td></td></tr>
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(c) All exposures located in other Member States	**0% to TREA**	**0% to TREA**	**0% to domestic TREA**	**0% to domestic TREA**
(e) Exposures located in third countries	**0% to TREA**	**0% to TREA**	**0% to domestic TREA**	**0% to domestic TREA**
(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.

0 per cent SyRB rates for all institutions

Set of institutions				
Exposures	**Name of institution**	**LEI code**	**New SyRB rate**	**Previous SyRB rate**
TREA	all institutions	-	0% to TREA	0% to domestic TREA

3. Timing for the measure

3.1 Timing for the decision	*What is the date of the official decision? For SSM countries when notifying the ECB: provide the date on which the decision referred to in Article 5 of the Single Supervisory Mechanism Regulation (SSMR) will be taken.* **30/05/2024**
3.2 Timing for publication	*What is the proposed date of publication of the notified measure?* **30/06/2024**
3.3 Disclosure	*Information about the strategy for communicating the notified measure to the market.* *Do you also intend to publish the justification for the SyRB? If not, why do you consider that publication could jeopardise the stability of the financial system?* **The MNB first communicated to the public its intention to reactivate in a modified manner the new SyRB in a press release: https://www.mnb.hu/en/pressroom/press-releases/press-releases-2023/mnb-further-strengthens-the-shock-resilience-of-domestic-banks-with-targeted-steps** **All relevant information is communicated via a press release and the official website, on the macroprudential webpage dedicated to the Systemic Risk Buffer: https://www.mnb.hu/en/financial-stability/macroprudential-policy/the-macroprudential-toolkit/systemic-risk-buffer-syrb** **The MNB also communicated its steps concerning the revision of the SyRB and corresponding risk assessment in the Macroprudential Report 2023 https://www.mnb.hu/en/financial-stability/macroprudential-policy/macroprudential-report** **The MNB will communicate the 0 per cent SyRB rates until 30 June 2024 via press release.**

3.4 Timing for application	*What is the intended date of application of the measure?* **01/07/2024**
3.5 Phasing in	*What is the intended timeline for phase-in of the measure (if applicable)?* **The MNB determined appropriate phase-in period to leave banks with the possibility to accommodate to the rules of application of the SyRB. The applicable SyRB-rate was determined in May 2024 based on 31 March 2024 data, and required SyRB will have to be maintained from 1 July 2024. However, based on the exposures and capital position of banks, eventually no SyRB requirement was prescribed to any institutions.** **The MNB will revise its SyRB rate decision annually.**
3.6 Review/deactivation of the measure	Until when will the measure presumably be in place? What are the conditions for its deactivation? On what indicators would the decision be based? Please specify whether you intend to review the measure before the maximum period of two years foreseen in Article 133(8)(b) CRD. **The institution-specific requirements setting individual SyRB rates will be reviewed annually, next time by 1 July 2025 based on the exposures and capital positions as of 31 March 2025**
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)**	*Where applicable, please classify the risks targeted by the notified SyRB under the following categories:* *(i) risks stemming from the structural characteristics of the banking sector* - *Size and concentration of banks* - *Ownership structure* - *Other structural risks* *(ii) risks stemming from the propagation and amplification of shocks within the financial system* - *Exposure concentration/asset commonality* - *Commonality in bank business models* - *Financial interconnections and contagion* *(iii) risks to the banking system stemming from either the real economy or specific sectors* - *Economic openness* - *Sectoral risks from the private non-financial sector, households and the public sector* *(iv) Other risks* *Please specify:* - *Whether these risks are widespread across the whole financial sector?* - *Or whether they are concentrated only in one or more subsets of the sector?* **The persistently high ratio of the non-performing and evergreening (several times restructured, underperforming) project exposures in the Hungarian banking sector was identified as a key macroprudential risk in 2014. Alongside the favourable CRE market processes, the SyRB applied**

	earlier contributed to the mitigation of the systemic risk concerning the problem CRE exposures. **In 2020, the MNB decided on a comprehensive package of measures to mitigate the impacts of the emergency situation related to the coronavirus pandemic on the banking sector, including the suspension of the application of the SyRB in effect that time for an indefinite period.** **The reactivation of the revised SyRB is justified by the end of the pandemic, the resumption of CRE lending, the still low but growing cyclical and structural risks seen in the global CRE market, as well as the risk signals of international organizations (e.g. the European Systemic Risk Board).** **In the case of non-performing stocks, the probability of future growth has increased due to the currently uncertain macroeconomic outlook, the evolution of yields, the tightening of financing conditions, as well as various sector-specific risks (accommodation, hospitality). This is also confirmed by the ESRB's recommendation issued on January 25, 2023, which draws attention to the importance of systemic risks in the sector, the potential recovery of risks and the important role of risk monitoring.** **In line with global trends, risks related to domestic commercial real estate lending also deserve particular attention. On the one hand, the domestic market is still adjusting to the structural changes brought about by the coronavirus epidemic. On the other hand, in line with European trends, the rise in yields has led to a fall in property values, which may pose a risk to the banking system due to the revaluation of collaterals. In 2023, within the portfolio of project loans secured by commercial real estate, there was a high proportion of collateral with increasing value, which showed a trend that ran counter to market trends; consequently, it is important for credit institutions to closely monitor the evolution of the value of collateralised real estate. Finally, in addition to higher interest rates and low market liquidity, there is also a refinancing risk on maturing loans, although the refinancing needs in the near future are low compared to the EU average. Risks to the banking system are mitigated by the sector's low exposure to commercial real estate compared to 2008 and the continued good quality of the portfolio.** **Overall, from a macroprudential point of view, it is important to introduce preventive measures in this particularly risky segment to avoid the build-up of structural systemic risks similar to those that accumulated before and during the latest crisis. On the one hand, the systemic risk buffer increases the shock-absorbing capacity of the institutions that develop excessively large risky portfolios of project-financing loans and do not curtail their problem exposures; on the other hand, it may encourage institutions to follow less risky project-financing practices and to keep such portfolios at a low level or to remove problem stocks from their balance sheets in case related risks are realized in the long term.**
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)**	*Reasons why the macroprudential or systemic risks threaten financial stability and justifying the systemic risk buffer rate.* **The excessively rapid, adversely structured and concentrated build-up of CRE project-financing exposures in the Hungarian banking system poses a key macroprudential risk, as it can lead finally to high sectoral and individual stock and ratio of problem project exposures. This may threaten financial stability through a number of channels:**

	• Impact on profitability: As the stock of distressed CRE project loans increases, so do impairment losses, which negatively affects the profitability of banks, and weakens the ability of institutions to accumulate capital, threatening the solvency of the banks. Furthermore, NPL stocks in excessively large volume are able to tie down significant resources, which can again lead to deteriorating profitability (if, e.g., employees are assigned to workout activities instead of loan origination). The need to continuously finance the unimpaired part of non-performing loans also may decrease profitability. The cost of financing can also increase due to high NPL rates, as investors pay close attention to NPL in their risk evaluation; high NPL rates therefore can increase the risk premium on bank liabilities. **• Impact on lending: Mounting credit losses on project exposures and consequently high NPL rates can limit lending through lower capacity and tighter capital constraints, and also through negatively affecting the willingness for lending: high losses and NPL rates can make banks over-cautious, lowering their willingness to take on more risk in financing investment and growth in the corporate segment. As non-performing project loans tie down financing resources, the banking sector's lending capacity can weaken in case of effective liquidity limits, leading to decreased lending.** **• Impact on collaterals: A change in the value of collaterals can increase impairment losses. In an extreme scenario, in case of a deeper crisis, the value of collaterals can nosedive, leading to significant system-wide consequences in such moderately liquid markets like the one for commercial real estate.** **It is important to mention that the impact of problem CRE project exposures can be multiplicative in nature, i.e., the impact of the total system-wide risk is able to be greater than the sum of the impacts of the risks of individual institutions due to, e.g., possible system-wide fire sales and the earlier moderately liquid market for the repossessed CRE.**
4.3 Indicators used for activation of the measure	*Provide the indicators triggering activation of the measured. When notifying the ECB, please provide the data on which the decision is based, if possible (preferably in an Excel file).* **The following indicators were used for the activation of the SyRB and the monitoring of the targeted macroprudential risk:** **• Weighted CRE project exposures over the Pillar I. capital requirement (***calibration indicator itself: see 2.1. and 2.2. of this template)* **• Weighted project loan exposures: The weighted sum of exposures is calculated including non-performing and performing project loans restructured for more than two years with 100 per cent weight, while all other project loan exposures with 5 per cent weight.** **• Unweighted project loan exposures including non-performing and performing project loans restructured for more than two years, and its divisions by FX denomination, type of collateral etc.** **• Concentration of total and non-performing project exposures in the banking sector** ***The MNB also uses its CRE risk map including relevant complementary indicators to monitor market processes and banking system exposures.***

4.4 Effectiveness and proportionality of the measure **(Article 133(9)(c) CRD)**	*Explanation why the draft measures are deemed likely to be effective and proportionate to mitigate the risk. E.g. how will the effectiveness of the measure be assessed? Based on which indicators? What are the expected transmission mechanisms?* **The planned SyRB: a) increases the shock-absorbing capacity of the institutions that develop excessively large risky portfolios of project-financing loans and do not curtail their problem exposures, b) may encourage institutions to follow less risky project-financing practices and to remove problem stocks from their balance sheets or to keep such portfolios at a low level**. **Non-performing and evergreening (permanently underperforming restructured) CRE exposures and performing, while highly concentrated exposures with a probability of becoming non-performing exposures may pose a structural systemic risk that is concentrated and might become high for a relatively long time despite sequential Pillar 2 measures and may pose a burden on the balance sheets of several major banks in Hungary in case of economic shocks. The SyRB requirement is supposed to target this risk as it could be levied on the combination of exposures that are deemed to be now or at the future horizon the most problematic.** **This measure proved to be effective in earlier years prior to the COVID pandemic in March 2020. It has increased the affected credit institutions' shock absorbing capacity to the level that internalized systemic level risks and it alternatively incentivised banks to clean their balance sheets. As the new calibration is of a preventive nature, the accommodation to the new conditions will not hamper healthy lending practices, thus the cost of the regulation is likely to be low. The chosen definitions, the level of application and the targeted data reporting requirements minimise the room for the circumvention.** **The measure is considered proportionate, as it is directly linked to the contribution of the institutions to the systemic risk identified. It is derived from the ratio of the weighted sum different subgroups of targeted exposures to the Pillar I capital requirement. The capital surcharge is levied on TREA and was capped at 2 percent. The de minimis limit of HUF 30 billion ensures that only systemically relevant exposures are taken into account.**
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)**	*Where the systemic risk buffer rate applies to all exposures, please justify why the authority considers that the systemic risk buffer is not duplicating the functioning of the O-SII buffer provided for in Article 131 CRD.* **Completely different targeted type of systemic risk, leading to buffer requirement only in case of relevant risk intensity related to CRE project lending risks irrespectively of the size of the bank, as experienced in case of the O-SII buffer.**
5. Sufficiency, consistency and non-overlap of the policy response	
5.1 Sufficiency of the policy response	*For a macroprudential policy to be 'sufficient', the policy responses must be deemed to significantly mitigate, or reduce the build-up of, risks over an appropriate time horizon with a limited unintended impact on the general economy.*

	Note that the ESRB will use this assessment of the macroprudential stance as relevant input in assessing the sufficiency of the macroprudential policy in the Member States. *Please provide any additional information that the ESRB should consider in assessing the sufficiency of the policy response.* **The persistently high ratio of the non-performing and evergreening (several times restructured, underperforming) project exposures in the Hungarian banking sector was identified as a key macroprudential risk in 2014 after the 2008 financial crisis. Alongside the favourable CRE market processes, the SyRB applied earlier contributed significantly to the mitigation of the systemic risk concerning the problem CRE exposures.** **In its revised form in case of significant contribution to the systemic risk, the SyRB rates determined will apply to TREA leading to significant capital buffer requirement. In case of appropriate accommodation, namely portfolio cleaning the impact is also measurable. So, either the maintained buffer or the balance sheet accommodation will result in significant decrease of systemic risk, or as in the current juncture, the buffer will operate as a strong preventive disincentive to build up excessive and/or unfavourably structured exposure amounts of CRE project loans.**
5.2 Consistency of application of the policy response	*For a macroprudential policy to be 'consistent', the policy instruments must be deemed to meet their respective objectives as outlined in ESRB/2013/1*[3] *and must be implemented in accordance with the common principles set out in the relevant legal texts.* *Note that the ESRB assessment of consistency will consider whether the same systemic risks are addressed in a similar way across and within the Member States over time.* *Please provide any additional information that the ESRB should consider in assessing the consistency of the policy response.* **The current application is consistent with the earlier application of the measure in Hungary, helps meet the intermediate objective of the SyRB and is in line with the legal framework.**
5.3 Non-overlap of the policy response	*For a policy instrument to be 'non-overlapping', it should aim to address a systemic risk that either differs to the risk addressed by other active tools in the same Member State, or to be complementary to another tool in that Member State which addresses the same systemic risk.* - *Are other policy instruments used to address the <u>same</u> systemic risk?* - *If yes, please explain the need for more than one instrument to address the same systemic risk and how the different instruments interact with each other.* **The targeted systemic risks that come on top of institution-specific risks are complementary to those risks that have already been covered by Pillar 1 and additional Pillar 2 capital requirements. These measures are not able to capture the geographical and sectoral concentration of these projects and are not sufficient to internalize the possible systemic risk dimension**

[3] Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1) (OJ C 170, 15.6.2013, p. 1).

	(cumulativeness, contagion etc.) relevant concerning the targeted exposures. **The SREP risk weights are set at high levels concerning CRE project exposures, but the SREP capital add-on is not able to completely address the systemic risk of the exposures in question, or to ensure appropriate preventive effects mentioned above. The total SREP add-on is capped at 250% in Hungary, which means that there is a limit on the amount of the capital add-on that can be prescribed for problem project exposures within the framework of the SREP. Therefore, the SREP capital add-on is not able to cover the full spectrum of the risks in question, and it is also limited in its capacity to ensure the necessary level of shock absorbing capacity or the necessary incentives for any prospective resolution or prevention of the problem, e.g. via asset cleaning, or preventing the build-up of the relevant exposures.** **Article 124 and 164 measures of the Capital Requirements Regulation (CRR) are primarily devoted to preventing the emergence of credit/asset bubbles, and they do not differentiate among newly issued and outstanding, problematic and non-problematic exposures, thus they are not capable of tackling systemic risks originated from exposures in question. Moreover, in the case of project loan exposures, the value of the property materially depends upon the credit quality of the borrower, the exposures are deemed unsecured for the purposes of determining their risk weight. This means that there is no room within these articles to handle the targeted systemic risk.**
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[4])**	*Assessment of the cross-border effects of implementation of the measure.* *a. Assessment of the spillover channels operating via risk adjustment and regulatory arbitrage. The relevant indicators provided in Chapter 11 of the ESRB Handbook on Operationalising Macroprudential Policy in the Banking Sector[5] and the <u>Framework to assess cross-border spillover effects of macroprudential policies</u> of the ECB Task Force on cross-border spillover effects of macroprudential measures can be used.* *b. Assessment of the:* o *cross-border effects of implementation of the measure in your own jurisdiction (inward spillovers);* o *cross-border effects on other Member States and on the Single Market of the measure (outward spillovers);* o *overall impact on the Single Market of implementation of the measure.* **As currently 0 per cent SyRB rates will apply for all banks, no significant spillover effects, either in inward or in outward direction, are expected.** **The preventive nature of the measure helps smooth accommodation to comply with the measure, or to avoid capital buffers. This way, even if the**

[4] 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).
[5] Available on the ESRB's website at www.esrb.europa.eu.

	potential of such effects exists, no significant negative spillover effects are expected.
6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	*Referring to your Member State's specific characteristics, what is the scope for "leakages and regulatory arbitrage" in your own jurisdiction (i.e. circumvention of the measure/leakages to other parts of the financial sector)?* *Is there scope for "leakages and regulatory arbitrage" in other jurisdictions?* **As currently 0 per cent SyRB rates will apply for all banks, no leakages and regulatory arbitrage are expected within Hungary.** • *Banks below the determined de minimis limit (HUF 30 billion total gross value of relevant exposures) will not have to maintain the buffer. This way, the potential of exempted banks to lend is limited, as the increase of exposures above the limit can lead to effective SyRB.* • *Due to their different lending structures, some banks will have more room for project financing without maintaining an SyRB than others, leading to more balanced risk profile.* • *As the involvement of non-bank financial institutions in project financing is limited, this potential channel is not considered as important.* **The preventive nature of the measure helps a smooth accommodation to comply with the measure, or to avoid capital buffers. This way, even if the potential of such leakages and regulatory arbitrage exists, no significant materialised effects are expected.**
6.3 Request for reciprocation by other Member States **(Article 134(5) CRD and Recommendation ESRB/2015/2)**	*Does the authority intend to ask the ESRB to issue a recommendation to other Member States to reciprocate the measure in accordance with Article 134(5) CRD?* *Choose an item.* - *If yes, please provide in Section 6.4. the justification for that reciprocity.* - *If no, what are the reasons for not requesting reciprocation?* **No reciprocation is requested.** **As currently 0 per cent SyRB rates will apply for all banks, limited cross border impact is expected. This way the request for voluntary reciprocity is unwarranted.**

6.4 Justification for the request for reciprocation by other Member States **(Article 134(5) CRD and Recommendation ESRB/2015/2)**	*To request reciprocation, please provide the following:* - *a concise description of the measure to be reciprocated;* - *the financial stability considerations underlying the reciprocity request, including the reasons why the reciprocity of the activated measure is deemed necessary for its effectiveness;* - *the proposed materiality threshold and justification for that level.* *If the ESRB deems the request for reciprocation to be justified, the description provided will form the basis for translation into all EU official languages for the purposes of an update of Recommendation ESRB/2015/2.* **Reciprocation is not requested.**
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).* **G-SII buffer is not applicable for Hungarian banks. As the SyRB is applied for a risk not targeted by the O-SII buffer, SyRB is applicable cumulatively with the O-SIIB.**

Name of institution	G-SII/O-SII buffer rate	O-SII consolidation level	Sum of G-SII/O-SII and SyRB rates
OTP Bank Nyrt.	2.0%	consolidated	2.0%
MBH Bank	1.0%	consolidated	1.0%
UniCredit Bank Hungary Zrt.	1.0%	consolidated	1.0%
Kereskedelmi és Hitelbank Zrt.	1.0%	consolidated	1.0%
Erste Bank Hungary Zrt.	0.5%	consolidated	0.5%
Raiffeisen Bank Zrt.	0.5%	consolidated	0.5%
CIB Bank Zrt.	0.5%	consolidated	0.5%

7.2 Combination with other systemic risk buffers **(Article 133(11) and (12) CRD)**	*Indicate all sets or subsets of exposures that would be subject to one or more systemic risk buffers with a combined systemic risk buffer rate in the ranges below:* - *above 3% and up to 5%* - *above 5%* *Indicate whether any subsidiaries of a parent in another EU Member State would be subject to a combined systemic risk buffer rate above 3%.* **Currently there is no other SyRB application in Hungary, and no SyRB requirement based on voluntary reciprocation of measures introduced and requested for reciprocation.**
8. Miscellaneous	
8.1 Contact person(s)/mailbox at notifying authority	*Contact person(s) (name, phone number and e-mail address) and mailbox for further inquiries.* **ÁDÁM BANAI** Executive Director for monetary policy instruments, financial stability and foreign reserve management Mobile: +36 (30) 789 9890

	Email: banaia@mnb.hu **TAMÁS NAGY** Director Directorate Financial System Analysis Mobil: +36 (20) 354 1282 E-mail: nagyt@mnb.hu
8.2 Any other relevant information	**All information regarding the SyRB applied in Hungary at the official homepage of the MNB, on the macroprudential sub-page: https://www.mnb.hu/en/financial-stability/macroprudential-policy/the-macroprudential-toolkit/systemic-risk-buffer-syrb** **The new rules of application is available at the official homepage of the MNB, on the macroprudential sub-page: https://www.mnb.hu/letoltes/syrb-conditions-21092023-en.pdf** **Concerning the macroprudential measures, including the reactivated SyRB, see the MNB Macroprudential Report 2023 (Chapter 7): https://www.mnb.hu/letoltes/macroprudential-report-2023-eng.pdf** **Concerning the relevant CRE systemic risks see the MNB Financial Stability Report, May 2024 (Chapter 2): https://www.mnb.hu/letoltes/financial-stability-report-may-2024-en.pdf**
8.3 Date of the notification	*Please provide the date on which this notification was uploaded/sent.* **03/06/2024**