Pursuant to Article 43, paragraph (2), item (6) of the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020), Article 4, paragraph (1), item (3) and Article 11, paragraph (2) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020 and 146/2020), and Article 3, paragraph (1) of the Decision on the reciprocity of macroprudential policy measures adopted by relevant authorities of other European Union Member States and assessment of cross-border effects of macroprudential policy measures (Official Gazette 60/2017), the Governor of the Croatian National Bank hereby issues the following

Decision

I.   It is hereby established that the recommended criteria for the reciprocation of the macroprudential policy measure adopted by the macroprudential authority of Luxembourg and recommended for reciprocation by the European Systemic Risk Board under Recommendation ESRB/2021/2 of 24 March 2021 have not been met in the Republic of Croatia.

II. The Croatian National Bank shall not prescribe the reciprocation of the macroprudential policy measure referred to in item I.

III. The Croatian National Bank shall monitor the level of exposures referred to in Recommendation ESRB/2021/2 and, in case a credit institution meeting the requirements set out in the macroprudential policy measure referred to in item I exceeds the prescribed materiality threshold, prescribe the reciprocation of the measure referred to in item I.

Rationale

The competent macroprudential authorities of Luxembourg have applied legally binding loan-to-value (LTV) limits on new mortgage loans on residential real estate located in Luxembourg that differ across three categories of borrowers. The LTV limits for each of the three categories are as follows:

(a) LTV limit of 100% for first-time buyers acquiring their primary residence.

(b) LTV limit of 90% for other buyers, i.e. non first-time buyers acquiring their primary residence. This limit is implemented in a proportional way via a portfolio allowance. Specifically, lenders may issue 15% of the portfolio of new mortgages

granted to these borrowers with an LTV above 90% but below the maximum LTV of 100%.

    (c) LTV limit of 80% for other mortgage loans (including the buy-to-let segment).

The measure applies to any type of ownership and to any private borrower taking out a mortgage loan to purchase residential real estate in Luxembourg.

In Recommendation ESRB/2021/2 of 24 March 2021 the European Systemic Risk Board recommended to the relevant authorities of Member States whose credit institutions, insurance corporations and mortgage lenders have relevant material credit exposures in Luxembourg to reciprocate this measure in their State. The measure is complemented by two materiality thresholds to steer the potential application of the *de minimis* principle by the reciprocating Member States: a country-specific materiality threshold for the total cross-border mortgage lending to Luxembourg of EUR 350 million and an institution-specific materiality threshold for the total cross-border mortgage lending to Luxembourg of EUR 35 million. Reciprocation is only recommended when both the country-specific threshold and the institution-specific threshold are exceeded.

Since according to available data there are no new mortgage loans in the Republic of Croatia that comply with the criteria for the application of this measure, the Croatian National Bank, applying the *de minimis* principle, shall not prescribe the reciprocation of the macroprudential policy measure adopted by the competent authorities of Luxembourg.

The Croatian National Bank shall, once a year, review the materiality of exposures referred to above and, in case a domestic credit institution meeting the requirements referred to in Recommendation ESRB/2021/2 meets the preconditions prescribed by the stated measure, review its decision on the reciprocation of the measure.

No. 179-091/06-21/BV
Zagreb, 25 June 2021

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Croatian National Bank
Governor
Boris Vujčić

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