



17 December 2021

Announcement: Decision by the Central Bank of Ireland to reciprocate a French measure under Article 458 of Regulation (EU) No 575/2013¹ (“CRR”)

French Article 458 CRR measure

On 11 May 2018, the Haut Conseil de Stabilité Financière (HCSF) adopted a [measure](#) under Article 458 CRR, tightening the limits for large exposures of French systemically important credit institutions to highly indebted large non-financial corporations (NFCs). Following the issuance of an ESRB recommendation ([ESRB/2018/8](#))² to reciprocate the measure, the Central Bank decided to comply with the measure and implemented it on [1 August 2019](#).

On 5 May 2021, the HCSF notified the European Systemic Risk Board (ESRB) of its intention to extend the period of application of this macroprudential measure. The extended measure differs from the original measure because of the change in the definition of large exposures following the application of Regulation (EU) 2019/876³. Specifically, the measure tightens the large exposure limit applicable to exposures to highly-indebted large non-financial corporations (NFCs) having their registered office in France **to 5% of Tier 1 Capital** as opposed to 5% of eligible capital as was previously the case. The measure applies to global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs) at the highest level of consolidation of their banking prudential perimeter.

ESRB Recommendation

The ESRB subsequently issued a Recommendation ([ESRB/2021/6](#))⁴ (“the ESRB Recommendation”) to EEA Member States to reciprocate the French measure (Official Journal of the European Union, 7 September 2021) which amends [ESRB/2015/2](#)⁵. Reciprocation occurs when the relevant authority in one Member State applies the same, or equivalent macroprudential measure as that activated in another Member State in order to address a risk related to a specific exposure.

Reciprocation of the French Article 458 CRR measure

As the designated authority in charge of the application of Article 458 CRR, the Central Bank conducted an assessment and decided to comply with the ESRB Recommendation and recognise the measure pursuant to Article 458(5) CRR. The Central Bank decision was informed by an assessment for Ireland which showed that the amount of relevant exposures were above a materiality threshold provided as part of the ESRB Recommendation. The formal reciprocation decision was made by the Central Bank pursuant to Article 458(5) CRR on 25 November 2021.

Coverage

The Central Bank of Ireland will reciprocate the French measure for institutions identified as O-SIIs in Ireland. Institutions will be required to apply the French measure with respect to their branches in France and tighten the large exposure limit as appropriate. Institutions will also be expected to apply the measure to direct cross-border exposures.



Exemptions “de minimis” principle

O-SIIs with exposures to the French non-financial corporate sector that are below the materiality threshold as defined in the ESRB Recommendation 2021/6 are exempt from applying the measure as per Section 2.2 of ESRB Recommendation ESRB/2015/2.

Timing of the application

Reciprocation of the measure will apply from 1 February 2022.⁶

¹ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012

² Recommendation of the European Systemic Risk Board of 5 December 2018 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures.

³ Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

⁴ Recommendation of the European Systemic Risk Board of 26 July 2021 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures

⁵ Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential measures.

⁶ Prior to this date the Central Bank’s reciprocation of the measure as announced on 30 July 2019 continues to apply.