

With its decision of September 21, 2023, the Financial Stability Board defines the general provisions applicable from July 1, 2024 on the formation of the systemic risk buffer as follows:

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (hereinafter: CRR) and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC enable the responsible authorities of all member states to impose on the credit institution sector or one or more subgroups of the sector, in addition to the minimum capital requirement, the formation of a systemic risk buffer as part of the so called combined buffer requirement. In Hungary, the Magyar Nemzeti Bank (hereinafter: MNB) acting in its macroprudential role, is authorized to set the systemic risk buffer requirement based on regulations laid down in the Act CXXXIX of 2013 on the National Bank of Hungary (hereinafter: MNB Act) and Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter: Credit Institutions Act).

In order to prevent the re-emergence of risks related to commercial real estate financing project loans, the Financial Stability Board decided to apply the systemic risk buffer under the following conditions.

Personal scope and application

1. 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.

Rate of the systemic risk buffer and method of application

2. The calibrated systemic risk buffer rate is determined in the case of a credit institution group based on data reported on a sub-consolidated basis. A consolidated group taking into account the domestic members of the credit institution group shall be considered sub-consolidated. In the case of a credit institution group without a foreign group member the data of the domestic consolidated group shall be considered.
3. The calibrated systemic risk buffer rate is determined on the basis of the contribution of the individual credit institution, credit institution group to systemic risk.

4. The degree of contribution to systemic risk (hereinafter: calibration indicator) is determined as the ratio of the weighted sum of the elements of the commercial real estate financing project loan portfolio (numerator) and the total Pillar I capital requirement (denominator). (Additional details related to the calculation of the numerator and denominator of the calibration indicator are to be found in Annex 1.)
5. The stock of commercial real estate financing project loans must be taken into account at their gross book value.
6. Any loan that meets all of the conditions for special lending exposures set out in Article 147 (8) points a)-c) of the CRR and the purpose of which is the purchase or development of commercial real estate shall be considered a commercial real estate financing project loan (the method of determining the relevant exposures is to be found in Annex No. 1), regardless of the location of the property and the headquarter of the counterparty.
7. The weighted amount of commercial real estate financing project loan portfolios (numerator) is the product of the portfolio elements to be included and the weights assigned to them, according to the table below:

Portfolio elements to be included		Weights (%)
a)	Loans classified as non-performing loans based on Section 5 (1) of Decree No. 39/2016 (X. 11.) MNB on Prudential Requirements Relating to Exposures in Default and Restructured Receivables, regardless of whether they are transactions under original or restructured contracts.	100
b)	Those (performing) restructured loans not classifiable under line a) that have been restructured for more than 2 years from the first restructuring without interruption.	100
c)	Loans that cannot be classified under lines a) or b).	5

8. The commercial real estate financing project loan portfolio forming the numerator of the calibration indicator shall be determined based on data provision to be fulfilled by the designated credit institution and members of the credit institution group on an individual basis according to Decree 35/2018 (XI. 13.) MNB on the Data Reporting Obligations to the Central Bank's Information System in Respect of Certain Data of Credit Transactions (hereinafter: HITREG data provision), in the case of a group by summing up the stocks of the members. The total Pillar I capital requirement at the appropriate consolidation level forming the denominator of the calibration indicator shall be determined based on reported data on the total risk exposure amount according to uniform data provision standards (COREP) [C 02.00 Solvency capital requirement table (short name: CA2)] by Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of the CRR with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No

680/2014, as well as taking into account other data available to the MNB in the context of the performance of its tasks defined in the MNB Act.

9. If the total gross value of the non-weighted stock elements to be considered according to point 7 is no more than HUF 30 billion, the value of the calibrated systemic risk buffer rate is 0.0 percent. If the total gross value of the non-weighted stock elements to be considered according to point 7 exceeds HUF 30 billion, the calibrated systemic risk buffer rate must be determined based on the table below.

Calibration indicator	Calibrated systemic risk buffer rate
<i>0.00–29.99%</i>	0.0%
<i>30.00–59.99%</i>	1.0%
<i>60.00–89.99%</i>	1.5%
<i>90.00% and above</i>	2.0%

10. In the case of a domestic credit institution group with foreign group members where the sub-consolidated credit institution group at the domestic level is not used as a prudential supervisory unit (the institution or group is only subject to consolidated supervision of an individual or entire credit institution group), the nominal amount of the capital requirement calculated on the basis of the calibrated systemic risk buffer rate and the sub-consolidated risk exposure amount shall be divided by the consolidated risk exposure amount of the entire banking group, and the resulting value must be rounded to 0.5, 1.0, 1.5 or 2.0 percent; if the calibration indicator reaches a value of at least 30 percent, and the total gross value of the non-weighted stock elements to be considered according to point 7 exceeds HUF 30 billion, the value of the consolidated applicable systemic risk buffer rate is at least 0.5 percent. For any other credit institution groups and credit institutions, the calibrated and the applicable systemic risk buffer rates are identical.
11. Pursuant to Paragraph 92 (7) of the Credit Institutions Act, the MNB determines in an individual authority decision (hereinafter: authority decision) the level of systemic risk buffer rate to be maintained (applied) by individual credit institutions and credit institution groups.

Starting date of maintaining the systemic risk buffer and review of the buffer rate

12. The MNB will issue the authority decisions for the first time in the second quarter of 2024, based on data from the end of the first quarter of 2024. Based on these individual decisions the applicable systemic risk buffer must be maintained for the first time from July 1, 2024.
13. The authority decisions and the applicable systemic risk buffer rates are reviewed annually.

Annex 1: Details of determining the stock required for calculating the numerator and the value of denominator of the calibration indicator

Filter condition explanation	Filter condition
<i>The gross stock required to calculate the numerator of the calibration indicator based on the HITREG data reporting</i>	
Fulfills all of the conditions for special credit exposures as specified in Article 147(8)(a)-c) of the CRR.	INSTR.PR_HITEL_KOD = 'IGEN_MINDHAROM'
The purpose of the loan is one of the specified, relevant project loan purposes	instr.pr_hitelcel_kod IN (, BEV_KP_EP', , BEV_KP_VAS', -- Shopping center construction / purchase , RAK_LOG_EP', , RAK_LOG_VAS', -- Warehouse, logistics building construction / purchase , IRODA_EP', , IRODA_VAS', -- Office construction / purchase , LAKPARK_EP', , LAKPARK_VAS', -- Residential park construction / purchase , SZALLODA_EP', , SZALLODA_VAS', -- Hotel construction / purchase , EGYEB_INGFEJL_HIT', , EGYEB_INGVAS_HIT', -- Other property development / purchase , EGYEB_IPARI_EP', , IPARI_VAS', -- Other industrial real estate construction/purchase , TELEK_VAS' -- Land purchase 'RESZF' -- Financing of share purchase)
Non-performing transaction or a transaction that has been restructured for more than two years without interruption from the first restructuring	instr.npl_kod IN ('NTELJ_CROSSD', 'NTELJ_UGYFEL', 'NTELJ_UGYFELCSOP', 'NTELJ_UGYLET') OR (instr.npl_kod = 'TELJ' AND instr.atstrukt_kod = '1_2')
Amount of gross book value	SUM(instr.brutto_ksze_osszeg)
<i>Capital requirement value forming the denominator of the calibration indicator</i>	
Pillar 1 capital requirement	C_02.000010, 1 TELJES KOCKÁZATI KITETTTSÉGÉRTÉK × 0,08 (In the case of sub-consolidated data provision ordered by the MNB in the form of a decision acting in its capacity to supervise the financial intermediation system, the content-identical total risk exposure amount appearing therein must be used)