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EUROPEAN
COMMISSION

Brussels, 12.11.2021
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COMMISSION DECISION

of 12.11.2021

not to propose an implementing act to reject the intended extension of the period of application of the national measure notified on 20 September 2021 by Sweden under Article 458(9) in conjunction with Article 458(4) of Regulation (EU) No 575/2013 of the European Parliament and of the Council

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to 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[1], and in particular Article 458 thereof,

Having regard to the opinions of the European Systemic Risk Board[2] and of the European Banking Authority[3],

Whereas:

(1) On 20 September 2021, Finansinspektionen, the Swedish Financial Supervisory Authority ('FSA'), which is the national designated authority in charge of the application of Article 458 of Regulation (EU) No 575/2013, notified the Commission of its intention to extend for two years the period of application of a national measure concerning risk weights for targeting asset bubbles in the residential immovable property sector as referred to in Article 458(2), point (d)(vi), of Regulation (EU) No 575/2013 ('the current measure'). The current measure applies from 31 December 2020 and is due to expire on 30 December 2021.

(2) The current measure was notified to the Commission on 24 May 2018, which adopted on 17 July 2018 Decision C(2018) 4176 not to propose to the Council an implementing act rejecting it. On 16 September 2020, the FSA notified to the Commission its intention to extend the measure by one year, which adopted on 12 November 2020 Decision C(2020) 7723 not to propose to the Council an implementing act rejecting such extension. The current measure addresses a macroprudential risk originating in the domestic market for residential mortgage loans and consists of an average risk weight floor of 25 % on Swedish mortgage exposure portfolios of credit institutions that use the internal ratings based ('IRB') approach. According to the FSA, the extension of the period of application of the current measure is necessary in view of the prevailing vulnerabilities in the Swedish residential real estate sector.

1 OJ L 176, 27.6.2013, p.1.

2 Opinion of the European Systemic Risk Board of 19 October 2021 regarding Swedish notification of an extension of the period of application of a stricter national measure based on Article 458 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions (ESRB/2021/8).

3 Opinion of the European Banking Authority of 19 October 2021 on measures in accordance with Article 458 Regulation (EU) No 575/2013 (EBA-Op-2021-10).

(3) Pursuant to Article 458(9) of Regulation (EU) No 575/2013, a Member State is required, in consultation with the European Systemic Risk Board ('ESRB') and the European Banking Authority ('EBA'), to review the situation that led to the notification of a national measure as referred to in Article 458(2), point (d), of Regulation (EU) No 575/2013. That Member State may subsequently adopt, in accordance with the procedure laid down in Article 458(4) of that Regulation, a decision for the extensions of the period of application of that national measure for two years each time.

(4) Pursuant to Article 458(4), second subparagraph, of Regulation (EU) No 575/2013, the EBA and the ESRB are to provide the Council, the Commission and the Member State concerned with their opinions on the intended extension of the period of application of a national measure within one month of receiving a notification as referred to in paragraph 2 of that Article. On 19 October 2021, the ESRB adopted its opinion on the proposed extension of the period of application of the current measure ('ESRB opinion'). The EBA also adopted its opinion on 19 October 2021 ('EBA opinion'). The ESRB and EBA do not object to the intended extension of the period of application of the current measure.

(5) Article 458(2) of Regulation (EU) No 575/2013 requires that a national authority that wishes to apply a national measure as referred to in Article 458(2), point (d), of that Regulation submits to the Commission, the ESRB and EBA relevant quantitative and qualitative evidence showing that the criteria set out in paragraph 2 of that Article are fulfilled. The Commission has to consider that evidence before proposing to the Council an implementing act to reject the intended national measures. The Commission has thus to ascertain whether there is sufficient evidence of a continued heightened systemic risk and that such risk poses a threat to the financial system and the real economy of the Member State concerned. The Commission has also to consider the suitability, effectiveness and proportionality of the intended measure, as well as the availability of alternative measures. Pursuant to Article 458(4) of Regulation (EU) No 575/2013 , the Commission may only propose to the Council an implementing act to reject the intended national measure where, taking utmost account of the opinions of EBA and the ESRB, there is robust, strong and detailed evidence that the intended measure will have a negative impact on the internal market that outweighs the financial stability benefits resulting in a reduction of the macroprudential or systemic risk identified.

(6) The FSA notes that the COVID-19 pandemic has not yet given rise to significant credit losses in Sweden. Given that risk weights have remained relatively stable since the outbreak of the pandemic, the FSA is of the view that the current risk weight floor is still adequate.

(7) The identified systemic risks in the financial system persist and the indebtedness of Swedish households (mainly consisting of mortgage loans) has increased since 2020. The FSA is of the opinion that, in light of the overvaluation of house prices, there is a continued high risk of a substantial price correction in the Swedish housing market. Real estate valuation methods used by the European Central Bank[4] suggest that residential real estate prices in Sweden were overvalued by around 20 % to 55 % as at the third quarter of 2020, while the ESRB opinion refers to an average

[4] See Box 3 of the European Central Bank Financial Stability Review, November 2015, for details on the methodology of the model-based approaches.

overvaluation in the residential real estate market of around 50% as at the first quarter of 2021. The Commission recognises that valuation methodologies are always subject to uncertainty and that the resulting point estimates (and confidence intervals around those) depend notably on the characteristics of the models and indicators used. The Commission's own assessment of the valuation of the Swedish residential real estate sector points to an average house price overvaluation of about 28 % at the end of 2020.[5] Moreover, in the Commission's Alert Mechanism Report 2021[6], it is noted that in Sweden overvalued house prices continue coexisting with a high household debt and concluded on the need for an in-depth review to further examine the persistence of imbalances or their unwinding. The Commission's 2021 in-depth review for Sweden concludes that vulnerabilities associated with household debt and the housing market remained visible throughout the Covid-19 pandemic and structural factors fuelling house prices such as a favourable tax treatment and a regulated rental market remain in place.

(8) The FSA observes that the household debt-to-GDP ratio has continued to rise since the introduction of the current measure (from 80,5 % in the first quarter of 2018 to 90 % in the fourth quarter of 2020). The FSA also observes a faster increase in household debt compared to household disposable income and GDP dynamics over a prolonged period. Household debt increased on average by 7,8 % in annual terms between 1997 and 2020, whereas the average disposable income increased by 4,2 % during that period. Simultaneously, the FSA is concerned about the future evolution of Swedish households' debt-to-income (DTI) ratios that have been rising for several years and are expected to increase further. After the introduction of stricter amortisation requirements targeting high DTIs, household aggregate debt still represented almost 200 % of disposable income as of end-March 2021 (compared to 90 % of disposable income in 1997). Moreover, the FSA argues that the financial position of Swedish households could be sensitive to sudden interest rate shocks, given the combination of high DTI ratios and the large share of mortgages with floating interest rates (roughly 53 % of the overall mortgage loans as of March 2021). The FSA notes that household debt growth in Sweden is mainly driven by mortgage lending and that growth rates of both household credit and mortgage loans have remained high as of end-March 2021 (at 5,9 % and 6,2 %, respectively, year-on-year). The FSA observes that Swedish banks are increasingly exposed to the residential property sector, with IRB credit institutions representing 96 % of the total mortgage market. According to the FSA, mortgages account for 82 % of monetary financial institutions' total lending to households, amounting to 75 % of annual Swedish GDP. Moreover, SEB, Svenska Handelsbanken and Swedbank, which are three major Swedish banks, are particularly sensitive to negative developments in the housing market, with mortgage loans to households representing roughly 50 % of their total lending. In addition, the FSA notes the high indebtedness of Swedish households in relation to the value of their home: 75 % of outstanding mortgages have loan-to-value (LTV) ratios higher than 50 % as of March 2021.

(9) The FSA argues that in the event of a severe downturn in the economy or turbulence in the financial system, the residential real estate market could be negatively affected, and this could have negative repercussions on the real economy and the stability of the banking system. The FSA considers that the low level of

[5] 2021 In-Depth Review for Sweden, Commission Staff Working Document, SWD (2021) 412 final.
[6] Alert Mechanism Report 2021, COM (2020) 745 final.

micropruddential risk weights that are being applied by credit institutions using the IRB approach for their residential real estate exposures (on average 4 %, volume-weighted) still represents a source of concern from a macroprudential perspective, given the identified systemic risk in the real estate market.

(10) The medium-term financial stability risk emanating from the Swedish residential real estate sector was highlighted in the ESRB Warning of 22 September 2016[7] and the ESRB Recommendation of 27 June 2019.[8] A 2019 ESRB report also refers to the high and rising household indebtedness, significant house price overvaluation, high mortgage credit growth and a high proportion of non-amortising mortgages, as well as interconnectedness with the Nordic banking system as key vulnerabilities in the Swedish housing market.[9] The ESRB opinion notes that the changes in the intensity of macroprudential or systemic risk continue to be of such nature as to pose a risk to the financial stability at national level.

(11) After considering the evidence provided by the FSA, the opinions of the ESRB and EBA as well as a 2021 ESRB report[10], the Commission agrees that the intensity of macroprudential risk related to the housing market in Sweden remains elevated and could pose a threat to the financial system in Sweden and its national economy. The Commission recalls that the materialisation of residential real estate risks can result in significant costs to the real economy and cause adverse spill-over effects to other countries. The Commission also recalls that macroprudential measures are not necessarily to be assessed against the evolution of the intensity of the systemic risk, which might depend on multiple, interlinked factors. Given its objective of enhancing resilience, the current measure aims to cushion the adverse impact in the event of the systemic risk materialising. The intensity of that systemic risk is still such that it justifies the extension of the current measure for two additional years.

(12) The average risk weight floor under the current measure was calibrated so as to cover against the fall-out from a severe scenario with high financial stress, taking into account the broader systemic risks that could arise from spill-overs. The FSA considers that a risk weight floor of 25 % remains adequate as the underlying risks have not materially changed since the introduction of the current measure. The FSA argues that credit institutions' IRB models are not capturing fully the credit loss risk of Swedish mortgages from a severe downturn scenario with severe spill-over effects for the Swedish and regional economies, as those models still reflect the negligible credit losses that occurred in mortgage portfolios over a long period of time. For the largest nine IRB credit institutions the risk weights resulting from IRB models range from 3,3 % to 14,9 %, with a volume-weighted average of 4,4%.

(13) The current measure increases IRB credit institutions' implied risk weights on Swedish mortgage exposures from 4,4 % on average (volume-weighted) to 25 %. The FSA notes that the risk weight floor for Swedish mortgages constitutes an important element of IRB credit institutions' capital requirements. According to the FSA, the capital requirement corresponding to a 25 % risk weight floor for Swedish

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7 ESRB Warning 2016/11 on medium-term vulnerabilities in the residential real estate sector of Sweden, (OJ C 31, 31.1.2017, p. 55).

8 ESRB Recommendation 2019/9 on medium-term vulnerabilities in the residential real estate sector in Sweden (OJ C 366, 30.10.2019, p. 35).

9 ESRB, *Vulnerabilities in the residential real estate sectors of the EEA countries*, September 2019.

10 ESRB, *Follow-up report on countries which received the ESRB recommendations in 2019 for medium-term vulnerabilities in the residential real estate sector*, February 2021.

mortgages amounts to SEK 96 billion at the consolidated level in the second quarter of 2021 or approximately 22 % of the total capital requirements for the largest Swedish banks.

(14) Apart from the risk weight floor on residential mortgage loans, Sweden has, in recent years, implemented a broad range of measures to mitigate systemic risk in the housing market. A set of supply-side measures[11] have been complemented by borrower-based measures with the aim of increasing the resilience of households: a Loan-to-Value (LTV) ratio limit of 85 %, amortisation requirements linked to LTV ratios (with households being required to amortise 2 % of the mortgage where LTV>70 % and 1 % where LTV>50 %) and loan-to-income (LTI) limits (i.e. households being required to amortise an additional 1 % of the mortgage where LTI>450 %)), and affordability tests (of a microprudential nature, introduced through the Consumer Credit Law). According to the FSA, those measures were necessary and appropriate to strengthen the resilience of households and possibly curb household indebtedness. Nevertheless, household credit growth remained high.[12]

(15) The FSA considers that the extension of the period of application of the current measure is necessary to ensure a sufficient capital position of credit institutions using the IRB approach and thereby enhancing the resilience of the Swedish banking sector against the identified systemic risk.

(16) The Commission has considered the suitability, effectiveness and proportionality of the intended extension of the period of application of the current measure in accordance with Article 458(2), point (e), of Regulation (EU) No 575/2013. The Commission considers the extension of the current measure to be suitable and effective, as it will maintain Swedish credit institutions' resilience vis-à-vis financial-stability risks emanating from the residential real estate sector.

(17) The Commission considers the extension of the current measure to be proportionate, in so far as its design does not go beyond what is necessary to address the identified systemic risk. The current measure only applies to credit institutions that use the IRB approach. Credit institutions that use the standardised approach for Swedish residential real estate are subject to higher risk weights and are exempted from the current measure. The Commission notes that, as pointed out in the opinions of the EBA and the ESRB, the risk weight floor applies to all retail exposures secured by real estate. The Commission accepts that applying the current measure also to enterprise exposures secured by real estate is necessary to achieve the objective of strengthening the resilience of banks against disturbances on real estate markets. That includes loans to enterprises secured by commercial real estate, which represent 1,8 % of exposures secured by real estate property and for which IRB risk-weights amount to 35 % on average, so those exposures are not affected by the current measure. The Commission notes that the EBA in its opinion stresses the importance

[11] Those consist mainly of capital-based measures aiming to ensure banks' resilience in case the residential real estate vulnerabilities materialise (e.g. the current risk weight floor or the countercyclical capital buffer, which has, however, been fully released in March 2020).

[12] In April 2020, the FSA clarified that borrowers can apply for a time-limited exemption from the amortisation requirements due to the COVID-19 pandemic (both for new and existing mortgages) until 31 August 2021. Those exemptions have been laid down in 2016 in Section 11 of the Finansinspektionen's regulations (FFFS 2016:16) regarding amortisation of loans collateralised by residential property, and further guidelines on the exemption from amortisation requirements on special grounds have been published on 14 April 2020.

of monitoring the impact of the current measure on lending to SMEs and intervening in the event of unintended consequences.

(18) The Commission reiterates its encouragement addressed to Sweden to explore complementing measures aimed to address overvalued house price levels and the continued rise in household debt, which pose risks of a disorderly correction. As set out in the 2021 in-depth review for Sweden, the Commission considers that the overall policy framework in Sweden still provides an incentive for debt accumulation feeding into house price increases' and notes that 'policy gaps remain particularly in relation to housing-related taxation and the functioning of housing supply and the rental market. The Commission notes that the Swedish authorities have not activated or tightened any macroprudential measures since the ESRB Recommendation issued in September 2019[13] and acknowledges the considerable efforts undertaken to improve the availability of loan-level data needed to monitor the systemic risks. The inaction as regards the macroprudential measures has been assessed as justified and understandable in the broad policy context of mitigating the impact of the Covid-19 pandemic and the economic uncertainty. However, as the pandemic is expected to increase vulnerabilities related to household income and debt servicing capacity (thus triggering an increase in the overall debt level), the Commission encourages the Swedish authorithies to further monitor closely the evolution of risks and to address them if needed through additional macroprudential measures that prevent the increase in vulnerabilities related to the residential real estate sector while limiting the procyclical effect on the real economy and other segments of the financial sector.

(19) After examining the arguments and evidence put forward by the FSA and giving consideration to the ESRB and EBA opinions, the Commission considers that the current measure remains suitable, effective and proportionate in view of addressing the identified systemic risk.

(20) Article 458(2), point (c), of Regulation (EU) No 575/2013 requires a justification as to why the macroprudential tools set out in Articles 124 and 164 of that Regulation would be less suitable and effective to deal with the macroprudential or systemic risk identified. The FSA considers that Article 124 of Regulation (EU) No 575/2013, which allows competent authorities to set higher values for risk weights of real estate exposures under the standardised approach for calculating capital requirements, is not appropriate to address the systemic risk identified, since credit institutions using the IRB approach dominate the market for residential mortgage loans, with a market share of about 96 %. Furthermore, the current minimum risk weight of 35 % for residential real estate exposures under the standardised approach is considered to be sufficient by the FSA. The FSA considers Article 164 of Regulation (EU) No 575/2013, under which competent authorities may, where appropriate on the basis of financial stability considerations, set higher minimum values of exposure-weighted average loss-given-default (LGD) for exposures secured by immovable property in their territory, as inadequate to address the macroprudential or systemic risk identified. First, credit risk models for residential mortgage loans in Sweden often generate low risk weights due to very low historical credit losses, and the FSA

13 In its Recommendation ESRB/2019/9, the ESRB suggests a) broader policy action aiming to curb factors which facilitate or promote increasing household indebtedness; and b) the tightening of the existing, or the activation of other, macroprudential measures if the vulnerabilities related to household indebtedness and overvaluation of house prices continue to increase due to cyclical economic and financial reasons.

considers that such low risk weights do not fully capture the potential credit losses of residential mortgage loans in Sweden in a severe downturn scenario. Second, the differences in risk weight estimations could partly reflect differences in banks' levels of prudence expressed in the probabilities of default (PD) used in the models and not necessarily differences in the risk profile of the underlying portfolio. However, as the low credit loss history affects both the estimation of PDs and LGDs in the IRB approach, increasing the LGD floor for residential mortgage loans would widen the existing differences in risk weights between credit institutions that use the IRB approach and might result in a disproportionate increase in risk weights for some credit institutions. As the IRB risk weight formula is a linear function of the LGD parameter, increasing the latter would lead to a larger increase in risk weights for more conservative credit institutions with higher PD estimates. Third, an increase in the average LGD floor would have implications beyond the calculation of the risk-weighted exposure amounts and also apply to other microprudential parameters, such as the calculation of expected loss amounts under Articles 158 and 159 of Regulation (EU) No 575/2013.

(21) After examining the arguments and evidence put forward by the FSA and giving consideration to the ESRB and EBA opinions, the Commission agrees that measures under Articles 124 and 164 of Regulation (EU) No 575/2013 would not be sufficiently effective to adequately address the identified specific systemic risk. Measures taken under Article 164 of that Regulation would also add further complexity to the determination of capital requirements and could reduce the transparency of risk weights for market participants.

(22) Article 458(2), point (c), of Regulation (EU) No 575/2013 also requires a justification as to why the macroprudential tools set out in Articles 133 and 136 of Directive 2013/36/EU of the European Parliament and of the Council[14] would be less suitable and effective to deal with the macroprudential or systemic risk identified. Article 133 of that Directive allows the designated or competent authority to introduce a systemic risk buffer to prevent and mitigate macroprudential or systemic risks covered neither by Regulation (EU) No 575/2013, nor by Articles 130 and 131 of Directive 2013/36/EU. The systemic risk buffer can be applied to all credit institutions or to a subset of credit institutions. Furthermore, the systemic risk buffer can be applied to all, sectoral or subsets of sectoral domestic exposures, exposures in third countries and sectoral exposures in all other Member States. The FSA argues that a systemic risk buffer on all exposures would not be appropriate to address the identified risks in the residential real estate market as it would penalise other types of exposures, including exposures to the corporate sector. Furthermore, the FSA also argues that a systemic risk buffer applied only to residential real estate exposures would be disproportionate and less effective than the current measure because it would act as an add-on and not take into account the current differences in risk weights. Moreover, it would have to be set at a high level to achieve a capital impact equivalent to the current measure, affecting most severely those credit institutions with risk weights closest to the floor. In this context, the FSA also stresses that the review of the IRB models for Swedish mortgages is still ongoing and that upon its

[14] 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 and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

completion a detailed assessment as regards the potential introduction of a sectoral systemic risk buffer can be conducted. In addition, the FSA considers that the calibration of the required sectoral systemic risk buffer would be difficult to communicate and could pose problems for the reciprocation by other Member States.

(23) After examining the arguments and evidence put forward by the FSA and considering the ESRB and EBA opinions, the Commission is of the opinion that Article 133 of Directive 2013/36/EU would be less suitable to address the identified systemic risk. The Commission notes that a systemic risk buffer of 3 % already applies to the three biggest credit institutions in Sweden, addressing the risk of a large and concentrated banking sector, and that the review of Swedish credit institutions' internal models is still ongoing. The Commission also notes that the EBA is of the view that a sectoral systemic risk buffer and the forthcoming output floor could be more targeted to address or compensate for the identified systemic risk that appears to be a structural feature of the Swedish housing market. The Commission, in line with the ESRB opinion, invites the FSA to reassess the appropriateness and the suitability of the national measure under Article 458(2), point (d)(ii), of Regulation (EU) No 575/2013 once the review of internal models has been completed, taking into account the EBA's Guidelines on PD estimation, LGD estimation and treatment of defaulted exposures[15], applicable as of 1 January 2021.

(24) Article 458(2), point (c), of Regulation (EU) No 575/2013 also requires a justification as to why the macroprudential tools set out in Article 136 of Directive 2013/36/EU would be less suitable and effective to deal with the macroprudential or systemic risk identified. The countercyclical capital buffer referred to in Article 136 of Directive 2013/36/EU applies to all non-financial private sector exposures located in a jurisdiction. Sweden has had in place a countercyclical capital buffer, as referred to in Article 136 of Directive 2013/36/EU, of 2,5 % since 2019. In response to the Covid-19 pandemic, the FSA decided on 16 March 2020 to fully release the countercyclical capital buffer to avoid a credit crunch and limit the negative impact on the economy. The FSA argues that the use of the countercyclical capital buffer would not appropriately target the identified risk, as it would also affect exposures towards small and medium-size firms as well as non-financial corporations.

(25) After examining the arguments and evidence put forward by the FSA and considering the ESRB and EBA opinions, the Commission agrees that Article 136 of Directive 2013/36/EU would not be suitable and effective in adequately addressing the identified risk. The Commission notes that the countercyclical capital buffer addresses total credit growth and cannot be tailored to specific exposures, such as residential mortgage loans, as is the case with the current measure. Furthermore, the Commission notes that a countercyclical capital buffer would apply to the whole banking system of Sweden and could not be narrowed down to a subset of institutions, such as Swedish credit institutions using internal models, as is the case with the current measure.

(26) After considering the ESRB and EBA opinions, the Commission concludes that an extension of the period of application of the current measure by two years is justified, proportionate, effective and efficient in addressing the systemic risk that the FSA is targeting. The alternative measures to be considered in accordance with

15 EBA Guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures, EBA/GL/2017/16, 20 November 2017.

Article 458(2), point (c), of Regulation (EU) No 575/2013 cannot adequately address the systemic risk identified, taking into account their relative effectiveness and possible undesirable effects.

(27) Article 458(2), point (f), of Regulation (EU) No 575/2013 requires an assessment of the likely positive or negative impact of the current measure on the internal market. The FSA does not expect the current measure to have a negative impact on the internal market that would outweigh the financial stability benefits resulting from a reduction of the identified risk. The FSA argues that the extension of the application period of the current measure would ensure the continued resilience of the Swedish banking sector. Given the high degree of interconnectedness with the financial systems of other Nordic and Baltic countries, the FSA considers the current measure to be conducive to financial stability, provided that regulatory arbitrage and leakages can be avoided by the reciprocation of the current measure for material exposures of foreign credit institutions to the domestic mortgage market, including the operations of any significant Swedish branches. The Commission notes that foreign banks and branches account for a significant share of the Swedish mortgage market, and that several Member States (Belgium, Denmark, Finland, France, Lithuania and Portugal) as well as one EFTA Member State (Norway) have reciprocated the current measure. As highlighted in the ESRB opinion, the effectiveness of the current measure will depend on the extent to which it will continue to be reciprocated by other Member States. The Commission concurs with the FSA that improved financial stability in the domestic banking sector reduces the likelihood of negative spill-over effects to other Member States, which is important in the context of significant financial interlinkages in the Nordic-Baltic region. The Commission is not aware of any robust, strong and detailed evidence that the current measure had a negative impact on the internal market that outweighs the financial stability benefits due to a reduction of the systemic risk. The ESRB shares this assessment in its opinion.

(28) The Commission, after assessing the notification and the evidence submitted by the FSA and taking utmost account of the ESRB and EBA opinions, concludes that there is no robust, strong and detailed evidence that the intended extension of the period of application of the current measure will have a negative impact on the internal market that outweighs the financial stability benefits resulting in a reduction of the macroprudential or systemic risk identified,

HAS DECIDED AS FOLLOWS:

Sole Article

The Commission does not propose to the Council an implementing act to reject the intended extension of the period of application of the national measure, notified on 20 September 2021 by Sweden in accordance with Article 458(4) of Regulation (EU) No 575/2013, from 31 December 2021 until 30 December 2023.

Done at Brussels, 12.11.2021

For the Commission
Mairead McGUINNESS
Member of the Commission