

FMA MINIMUM STANDARDS FOR THE RISK MANAGEMENT AND GRANTING OF FOREIGN CURRENCY LOANS AND LOANS WITH REPAYMENT VEHICLES

FMA-FXTT-MS (REVISED VERSION 2023)

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These Minimum Standards constitute a revised version of the FMA Minimum Standards for the Risk Management and Granting of Foreign Currency Loans and Loans with Repayment Vehicles (FMA-FXTT-MS) of 01.06.2017 and shall replace them with effect from 03.08.2023.

These FMA Minimum Standards do not constitute a Regulation. They serve as guidance and reflect the FMA's legal interpretation and the FMA's practical recommendations in relation to Article 39 paras. 1 and 2 of the Banking Act (BWG; Bankwesengesetz) regarding foreign currency loans and loans with repayment vehicles. No rights and obligations beyond those stipulated in the legal provisions can be derived from these Minimum Standards. The FMA will review on a case-by-case basis whether the non-observance of these Minimum Standards in relation to the granting of and managing of foreign currency loans and loans with repayment vehicles constitute a breach of legal provisions (Article 39 paras. 1 and 2 BWG).

These FMA Minimum Standards shall not prevent higher standards from being set by credit institutions. Where specific contents contained in these Minimum Standards go beyond the due diligence obligations contained in Article 39 BWG, these are to be considered as recommendations.

Preamble to the revised version of 03.08.2023

It shall be the individual credit institution's responsibility to assess and manage its risk situation arising from foreign currency loans and loans with repayment vehicles accordingly. In the interests of proportionality, many of the reports and checks listed in these FMA Minimum Standards are to be conducted in a manner that is proportionate to the materiality of the risks arising for the credit institution from foreign currency loans and loans with repayment vehicles. This principle has been further clarified and added to with regard to the frequency of the risk assessment, the requirement for the stress test, the indicators to be considered in relation to disclosure provisions and the frequency of reviews by the internal audit function.

Preamble

Since 2008, the specific risks associated with foreign currency loans and loans with repayment vehicles for credit institutions (in particular in relation to credit and refinancing risk as well as concentration risk) and for borrowers (currency and interest rate risk as well as the performance risk in relation to the repayment vehicle) have become increasingly apparent. Furthermore, the limiting of such risks by contractual means (i.e. conversions, liquidity premiums) has also proven to be difficult in practice in the case of loans granted to consumers and so doing also exposes credit institutions to high level of reputational risk.

With regard to the performance of loans with repayment vehicles, the FMA and the Oesterreichische Nationalbank (OeNB) have observed the following developments:

- In recent years approximately three-quarters of the outstanding volume of repayment vehicles have been exposed to direct market risks – most notably in the form of fund-linked life insurance plans, but also in the form of investment funds.
- At the aggregate level, the capital accumulated in the repayment vehicles stood at a lower value than it ought to have attained according to the repayment schedule (funding gap).

The volume of foreign currency loans and loans with repayment vehicles issued to private households in Austria is exceptionally high compared to other countries, therefore presenting risks for the domestic financial market. This prevailing circumstance has also frequently attracted heavy criticism by international financial institutions (in particular the IMF, World Bank and EBRD), that may also compromise the reputation of Austria's financial market.

On 21 September 2011, the European Systemic Risk Board (ESRB) published recommendations pursuant to Regulation (EU) No 1092/2010 concerning the granting of

foreign currency loans (ESRB/2011/1), in which the systemic risks implied by an excessive granting of foreign currency loans are stressed (see also <https://www.esrb.europa.eu>).

Owing to the inherent risks to credit institutions and the relevance of the issue of foreign currency loans and loans with repayment vehicles for the Austrian financial market, and expanding further the previously issued FMA Minimum Standards and taking into consideration the ESRB recommendations for fulfilling the banking supervision objectives set out in Article 69 para. 1 BWG adequate risk-specific behaviour on the level of individual credit institutions and a sustained reduction in banking risks as defined in Article 39 paras. 1 and 2 BWG are considered necessary in relation to the total outstanding volume of foreign currency loans and loans with repayment vehicles to non-banks. The FMA expects that credit institutions shall comply with these Minimum Standards in relation to the granting of foreign currency loans and loans with repayment vehicles. The OeNB shall also review compliance with these FMA Minimum Standards within the course of on-site inspections that it conducts on behalf of the FMA.

The high exposure of private households furthermore necessitates special measures for this market segment. Foreign currency loans and loans with repayment vehicles are generally not suitable as products for the masses due to the risks listed above, but instead constitute a special product for which it is necessary to take the individual case and the specific situation of the potential customer into greater consideration. Foreign currency loans and loans with repayment vehicles are therefore generally unsuitable for consumers in light of the terms of Article 39 BWG, particularly as a standard product for the purpose of purchasing residential property. Credit institutions shall be required to pay greater attention to ensuring that the necessary information is made available about the specific characteristics and risks associated with this product.

The FMA acts on the assumption that any credit institution, when granting foreign currency loans to borrowers who are not domiciled in Austria, also complies with the measures that are applicable in the respective country. In this regard, it is irrelevant whether a loan is granted by a cross-border service, a branch or a subsidiary credit institution. This means that such measures are to be applied, as applicable, on an individual basis, on a sub-consolidated and consolidated level. In so doing, it must be ensured that the auditing of the measures in the respective country is conducted to an appropriate and reasonable extent. The results shall be documented accordingly.

The measures taken in the relevant host Member States and/or third countries regarding foreign currency loans shall be published in German or English on the website of the FMA or the ESRB once a notification has been received from the supervisory authorities in the host Member State and/or third countries.

1 SCOPE OF APPLICATION AND DEFINITIONS

1. These Minimum Standards shall apply to all credit institutions authorised to conduct lending business (Article 1 para. 1 no. 3 BWG) and to all credit institutions from Member States, which conduct business in Austria under the freedom of establishment or the freedom to provide services (Article 9 BWG). Chapter 2, Section 3.1, Chapter 4 and Chapter 5 shall apply as applicable on an individual, sub-consolidated and consolidated level. Section 3.2 refers exclusively to business activities in Austria.
2. Chapter 2 (risk management), Section 3.1 (information to borrowers) and Chapter 4 (market transparency) refer to loans granted to non-banks as defined in Article 2 no. 22 BWG¹. Entities or international organisations that possess adequate experience, know-how and resources (e.g., their own treasury division) and which therefore have the relevant information at their disposal for decision-making purposes in relation to foreign currency loans and loans with repayment vehicles, are exempted from the application of Section 3.1.
3. Section 3.2 (special provisions for consumers) refers exclusively to loans to consumers as defined in Article 1 para. 1 no. 2 of the Austrian Consumer Protection Act (KSchG; Konsumentenschutzgesetz). Self-employed persons and freelancers² are included to the extent that they can be considered as consumers when taking out a loan.
4. Foreign currency loans are understood as loans, which:
 - a. are denominated in another currency to the currency in which the consumer receives their income or holds their assets in, from which the loan is intended to be repaid from, or
 - b. is at least partially receivable in other currencies than the legal tender currency of the country in which the borrower is domiciled.
5. Loans with a repayment vehicle for the purpose of accumulating capital (“loans with repayment vehicles”) are defined as loans for which the repayment of principal in the form of annuities or instalments is replaced by the accumulation of capital through a repayment vehicle used to cover a part of or the entire principal amount upon maturity of the term of the loan. For the duration of the term of the loan, the entire loan amount remains outstanding, upon which amount the continually accrued interest is paid.

¹ The term “borrower” as used hereinafter refers to all those who are included in the definition of a “non-bank” according to Article 2 no. 22 BWG. In particular, this includes consumers within the meaning of Article 1 para. 1 no. 2 of the Austrian Consumer Protection Act (KSchG; Konsumentenschutzgesetz).

² See reporting guidelines for the unconsolidated statement of assets (Part A1a) pursuant to Article 74 para. 1 BWG. The self-employed and freelancers consist of those active on a freelance basis (e.g., doctors, lawyers and pharmacists) as well as other self-employed persons such as (registered and unregistered) sole proprietors and farmers. Associations of self-employed persons formed for the purpose of operating a working group in either the form of a civil-law association (GesBR; Gesellschaft Bürgerlichen Rechts) or a general partnership (OG; offene Gesellschaft) also belong to this category (e.g., a joint doctors' practice or a shared legal practice for solicitors).

6. Capital accumulating repayment vehicles are defined as one or several financial or insurance products, which serve to allow the borrower to accumulate capital, which is intended to be used at a later juncture to at least partially repay a loan.
7. A loan shall not be considered as a loan with a repayment vehicle within these FMA Minimum Standards if the principal of a bullet loan is repaid using assets that already exist at the outset rather than only being accumulated during the term. In this context, the following examples shall serve as references:
 - The borrower makes a one-time self-financed placement with an insurance product, maturing at latest at the same time as the loan falls due and which ensures that the loan is covered.
 - The borrower has assets available in the form of real estate assets, which are intended to be sold to ensure that the loan is covered.
 - The borrower has a claim to a distribution of assets in the future, from which the coverage of the loan is ensured.
8. Loans, for which the exchange rate risks have been fully addressed until the maturity of the loan by means of hedging instruments, or where the creditworthiness of the borrower can be attributed to their income and/or assets at the point of time at which the loan was granted, are excluded from applying paras. 9 to 12 where proof exists of the calculation having been conducted pursuant to para. 14, as well as in the case of granting of a new loan from applying para. 33 and the seventh paragraph of the preamble (reciprocal application of provisions from Member States and third countries).

2 RISK MANAGEMENT

2.1 FOREIGN CURRENCY LOANS

9. The credit institution must have internal guidelines in writing on the granting and managing of foreign currency loans. Such internal guidelines must address the credit institution's risk-bearing capacity, especially by including appropriate conditions for the granting of foreign currency loans, the limitation of associated risks, adequate administration, calculation and control mechanisms as well as risk management. They shall also include requirements for the suitable pricing of risk and internal capital allocation. Any observations related to risks shall be regularly reported to the members of the management board. The frequency of such reporting may occur commensurately to the materiality of the impact on the risk situation that can be deduced from the foreign currency loan portfolio. The management shall in turn report to the supervisory body under company law at least once a year about the risk situation that can derived from the foreign currency loan portfolio.
10. The credit institution shall determine quantitative (in relative terms, as well as in absolute terms as applicable) limits on the volumes of individual foreign currency loans as well as for the entire foreign currency loan portfolio.
11. When granting the loan, when reviewing the creditworthiness of the borrower, it shall be necessary to ascertain whether the borrower has sufficient reserves in relation to their income and/or assets to be able to service and repay the loan by means of an increased loan repayment amount in the applicable domestic currency in the event of changes in the exchange rate. The requirements for the collateral to be provided shall need to be adapted to cover this increased amount.
 - a. The credit institution shall already ensure that the customer's creditworthiness is adequate at the time at which foreign currency loans are granted to be able to service and repay the loan, while taking into consideration the repayment structure of the loan, even in the event of changes in the exchange rate and the interest rate attached to the respective foreign currency potentially leading to an increased repayment amount or increased repayment instalments.
 - b. An adequate and expedient procedure shall be used to calculate the increased higher repayment amount. Methodologies and assumptions used for such calculations shall be applied in a uniform and consistent manner.
12. The credit institution shall determine adequate thresholds in relation to the creditworthiness of the borrower in relation to the ongoing monitoring of the loan regarding exchange rate risk. The credit institution shall be required to have a procedure in place, that indicates as early as possible that thresholds have been exceeded. The credit institution shall determine a set of expedient measures to be taken in the event of thresholds being exceeded.

- a. The amount of outstanding liabilities in terms of the respective income currency shall form the basis of the threshold, the exceeding of which in any case will make it necessary for the credit institution to take appropriate action.
 - b. For the purpose of an early warning mechanism, the threshold must be lower than the maximum outstanding liabilities, that can still be serviced on the basis of the borrower's creditworthiness in the respective income currency.
 - c. In contrast to the limit in accordance with para. 11, which relates exclusively to the point of time at which the loan was granted, in so doing constituting the initial value in the respective foreign currency, the threshold is an individual limit, dependent on the creditworthiness of the borrower.
 - d. In order to be able to determine that these limits are being exceeded on a case-by-case basis, the credit institution shall be required to establish internal procedures.
 - e. The observation of the loan regarding this threshold does not replace the necessity of continual monitoring of the loan in relation to other factors. Other procedures or systems, where the creditworthiness of the borrowers and the valuation of the collateral are constantly checked, are not affected by the procedure.
 - f. If a threshold is exceeded, then the credit institution must take appropriate measures. Such measures should be of a general nature and should aim to limit the exchange rate risk of the customer, with the actions for consumers contained in paras. 40, 43 and 44 serving as a guide. Care shall be taken that the "expedient measures" correspond to the loan agreements and considering the legislative framework and current case law. The credit institution shall contact the borrower if the threshold is exceeded.
13. The credit institution must have a procedure in place to allow it to continually record all market developments in particular in relation to exchange rates, interest rates and collateral, and to identify their effects on individual foreign currency loans as well as the total foreign currency loan portfolio as early as possible. For this purpose, the credit institution shall examine the current rating of a foreign currency borrower, regardless of whether they relate to existing loans or new business at least once a year, taking into consideration any alterations in the credit conditions due to the aforementioned market developments. Special attention shall also be paid to the compilation of aggregated foreign exchange losses suffered by customers categorised as either in default or close to defaulting.
14. An IT-based system is generally to be understood in relation to a "procedure" (para. 12 point 12.d and para. 13). Where such a procedure seems impracticable, a sufficiently standardised procedure may be determined instead that fulfils the stipulated objectives. In any case, it must be ensured that borrowers with sufficient currency-congruent income and/or other expected earnings in the respective foreign currency (customers with a "natural hedge") and borrowers, whose currency risks are hedged by means financial instruments, are systematically recorded.

15. The credit institution shall be required at least once a year to calculate the effects of exchange rate fluctuations on the foreign currency loan portfolio by conducting a meaningful stress test.
 - a. Specifically, such calculations shall be performed to quantify the effects on the borrower's financial solvency and, consequently, on the credit institution's risk-bearing capacity.
 - b. The stress test may also be reduced in its scope depending on the materiality of the impact on the credit institution's risk situation that can be deduced from the foreign currency loan portfolio. The credit institution, in any case, shall estimate the quantitative effects of exchange rate fluctuations with sufficient accuracy on at least an annual basis (e.g., by means of scenario analyses).
 - c. In particular, the outcomes of the stress test shall be adequately reflected in the business policy.
16. The credit institution shall compute the contribution of the foreign currency loan portfolio to the credit institution's total revenue at least once a year; the contribution must be estimated with sufficient accuracy. Commission income from repayment vehicles shall not be considered.
17. The credit institution shall comply with the provisions of the Regulation on Credit Institution Risk Management (KI-RMV; Kreditinstitute-Risikomanagementverordnung) in relation to foreign currency loans. In particular, before granting foreign currency loans, the credit institution shall have prepared guidelines on the limitation of the refinancing risk. The credit institution shall ensure the refinancing of foreign currency loans even in the event of adverse market conditions prevailing (e.g., by ensuring the access, either directly or via a central or parent institution, to open-market transactions of the central bank responsible for the respective foreign currency). Credit institutions shall ensure that a sufficient diversification of their funding structure.

2.2 LOANS WITH REPAYMENT VEHICLES

18. The credit institution must have written internal guidelines in place on the granting and managing of foreign currency loans.

Given the specific risk factors associated with repayment vehicles (e.g., risk of change in value, insufficient servicing of the repayment vehicle), in particular these guidelines shall contain adequate requirements for repayment vehicles, for a prudent yield forecast, for a continuous flow of information concerning the value and proper servicing of the repayment vehicle, for adequate administration, calculation and control mechanisms as well as for risk management. They shall also include requirements for the suitable pricing of risk and internal capital allocation.

 - a. Any observations related to risks shall be regularly reported to the members of the management board. The frequency of such reporting may occur commensurately to the

- materiality of the impact on the risk situation that can be deduced from loans with repayment vehicles. The management board shall report about the risk situation concerning loans with repayment vehicles to the relevant supervisory body under company law at least once a year.
- b. The credit institution shall determine quantitative (in relative terms, as well as in absolute terms as applicable) limits on the volumes of individual loans with repayment vehicles as well as for the entire portfolio of loans with repayment vehicles.
19. The credit institution shall determine more specific requirements for the parameters (risk and yield parameters) of repayment vehicles. Repayment vehicles must satisfy the criteria placed on customary banking collateral regarding their ability to be realised by the credit institution. The estimation of the assumed earnings capacity of repayment vehicles shall be conducted realistically with the necessary degree of caution.
20. It must be possible for the credit institution to review the intrinsic value of the repayment vehicles and their being serviced in an orderly manner. The credit institution must be informed on an ongoing and adequate basis about the intrinsic value and orderly servicing of the repayment vehicle. Granting fresh loans with repayment vehicles, where this information flow is not guaranteed is not permitted.
- a. Regarding “information on an ongoing basis”, there is an expectation that the credit institution collects information at least annually. A higher standard will need to be applied regarding the interval of reviews, however, regarding the proper servicing of the repayment vehicle.
 - b. In the case of repayment vehicles that are already included, the credit institution is instructed to ensure that the periodic submission of such information is included in the arrangements with the entities that manage the repayment vehicles.
 - c. If, in the case of existing repayment vehicles, the credit institution is unable to maintain the necessary flow of information due to not fault of its own, where possible recourse shall be made to information published by such entities about the performance of their products or typical sources of banking information.
 - d. Financial products of entities that are unable to guarantee the necessary flow of information to the required extent, shall not however be used as repayment vehicles for newly granted loans.
21. The credit institution must have a procedure in place to allow it to record all market developments on an ongoing basis regarding the intrinsic value of repayment vehicles, and to identify their effects on individual loans as well as the loan portfolio as a whole as early as possible. A "procedure" is generally to be understood as an IT-based system. Where such a procedure seems impracticable, a sufficiently standardised procedure may be determined instead.

22. The credit institution shall define expedient measures for the case that the performance of the repayment vehicle shows that the amount to be repaid will not be achieved in the agreed term under realistic assumptions for future performance.
 - a. Such “expedient measures” should be set out in a general way in the guidelines, with the actions for consumers contained in paras. 40, 43 and 44 serving as guidance. Care shall be taken that they correspond to the loan agreements, under consideration of the legislative framework and current case law.
 - b. If the performance of repayment vehicles suggests that the amount to be repaid is not expected to be achieved at the end of the agreed term, the credit institution shall contact the borrower.

2.3 RISK PREMIUM PRICING AND INTERNAL CAPITAL ALLOCATION

23. When determining the risk of foreign currency loans and loans with repayment vehicles, the credit institution must also take the additional risks arising compared to loans granted that do not have foreign currency or repayment vehicle components adequately in internal risk management systems. Unless these risks are explicitly fully covered, the credit institution shall take them into suitable consideration when determining its internal capital allocation within the framework of the ICAAP (Article 39a BWG) and when undertaking price calculations.
24. The credit institution must cover the expected losses from foreign currency loans and loans with repayment vehicles via standard risk costs. To do so, it must implement procedures for assessing borrowers’ credit quality that already take the negative impact of future exchange rate or asset price fluctuations on the probability of default at the time of the granting of foreign currency loans and loans with repayment vehicles. Furthermore, it should be noted that the expected liability in the domestic currency as the time of a default may be higher due to exchange rate movements that at the time the loan was granted or that the amount saved in the repayment vehicle may be lower than forecast at the time of the loan being granted due to unfavourable performances of capital markets and returns.
25. The credit institution must have suitable methodologies in place to be able to determine the amount of the unexpected losses from foreign currency loans and loans with repayment vehicles. This must be adequately considered within the capital allocation in the ICAAP. As with the calculation of standard risk costs, in particular the negative effects of future exchange rate fluctuations or the repayment vehicle’s asset price developments are also to be included in the repayment vehicle regarding the probability of default and the potential increases in the liability as a result of unexpected exchange rate movements or coverage gaps due to unexpected asset price developments.
26. The credit institution must have suitable procedures in place for the validation of the aforementioned methods.

2.4 RISK PROVISIONING

27. For this chapter, the term "loan-loss provisions" means the conducting of write-downs, write-offs as well as the establishing of provisions. An adequate provisioning of risk for credit risk arising from foreign currency loans and loans with repayment vehicles shall be ensured, taking into consideration the respective applicable accounting standards. In addition to individual value adjustments and portfolio value adjustments, where applicable, undervaluation in accordance with the first sentence of Article 57 para. 1 BWG shall be considered as a possibility for ensuring adequate risk provisioning.
28. The assessment of a "default" for accounting purposes shall be aligned with the definition of default under supervisory law pursuant to Article 178 of Regulation (EU) 575/2013. In making the assessment, consideration shall also be given whether justified concerns arise based on the available information regarding the future ability of the borrower to generate stable and adequate cash flows. This observation shall also cover, in addition to the obligor's personal ability to satisfy the contractual obligation arising from the loan relationship, an assessment of the capital accumulating repayment vehicle that is available for repayment purposes.
29. The credit institution shall define clear, objective, and forward-looking parameters for calculating risk provisioning. The amount of any coverage gap shall also be taken into consideration in doing so. The credit institution decides whether a portfolio-based or case-by-case approach is appropriate and shall document the reasons for their decision.
30. If a detailed analysis of individual exposures or portfolios reveals that losses are to be expected at maturity for one or several loan transactions, then credit institutions shall establish adequate risk provisions for these individual positions or portfolios. When identifying the provisioning requirement, collateral items that may be disposed of by sale, or income or asset items, which are available at the respective loan's maturity may be considered, applying any applicable and appropriate collateral write-downs. When calculating the risk provision for foreign currency loans and loans with repayment vehicles consideration should also be given to the observable and expected performance of the repayment vehicle as well as to the foreign currency components.

3 THE RELATIONSHIP BETWEEN THE BANK AND BORROWERS

3.1 INFORMATION FOR BORROWERS

31. The credit institution shall provide the potential borrower with demonstratively adequate explanations in written form about the main features of the foreign currency loans and loans with repayment vehicles that are offered as well as the specific effects of these products for customers, including the consequences occurring from delayed payment by the customer or

the occurrence of the events listed in paras. 12 and 22. The information made available to the potential borrower shall be provided in a transparent, comprehensible and justifiable manner, and shall also display a high level of information quality. This should allow the borrower to be able to assess whether the loan contract meets his requirements and his financial situation. In particular, the consequences of a considerable appreciation of the foreign currency and an increase in the interest rate of the respective foreign currency must be taken into account. The observance of other statutory information requirements by the credit institution, as predominantly defined in the Mortgage and Immoveable Property Credit Act (HfKGrG; Hypothekar- und Immobilienkreditgesetz), remains unaffected.

32. Prior to the conclusion of the contract in the case of loans with repayment vehicles, the credit institution shall explicitly advise the borrower that the payments becoming due from on the basis of the loan agreement shall be payable, even in the event, contrary to the borrower's expectations, that the repayment vehicle does not cover the amounts to be paid.
33. The credit institution shall also always offer a loan in the local currency or where applicable offer suitable instruments for the hedging of exchange rate risks prior to granting a foreign currency loan pursuant to para. 4 point b.

3.2 SPECIFIC PROVISIONS FOR CONSUMERS

3.2.1 GRANTING OF NEW FOREIGN CURRENCY LOANS PURSUANT TO PARA. 4 POINT B

34. The credit institution shall generally not grant foreign currency loans pursuant to para. 4 point b to customers. The granting of new foreign currency loans pursuant to para. 4 point b may exclusively be offered to the following specifically defined groups of persons:
 - a. Persons with sufficient currency-congruent income. The currency for servicing interest and debt should correspond to the currency of the income from which the loan is being serviced.
 - b. Consumers who expect other income in the currency of the debt service that is intended to be used to repay the loan; such as, for example, bonds denominated in a foreign currency with a known redemption date (provided the bond has already been subscribed to an amount at the time of the loan being taken out that is at least equal to the nominal value of the loan), through the sale of real estate in a foreign currency (provided that at the time of taking out the loan that the specific intention to sell already exists and that the realistic or already contractually fixed proceeds of sale in accordance with the calculated market value are for an amount that at least matches the nominal value of the loan) or by selling company shares that are pre-financed in the same currency.
 - c. Wealthy retail clients with the best credit rating: The consumer belongs to the group of the credit institution's customers for whom the credit institution's internal rating system allocates the highest possible rating on the credit institution's internal rating scale.

35. Foreign currency loans pursuant to para. 4 points a and b to the groups of persons listing in para. 34 points a to c shall not however be combined with a capital accumulating repayment vehicle.
36. The granting of a new foreign currency loan as addressed in para. 34 shall be understood as the concluding of a loan agreement with a consumer, where the loan is either partially or fully granted to the consumer in another currency than the legal tender currency of the country in which the borrower is domiciled.
37. Modifications to existing loan agreements, that subsequently provide the consumer with the right to change the currency of the loan from the local currency of the country in which the borrower is domiciled into a foreign currency, or which broaden the options available in relation to a change of currency shall be considered as granting of a new loan within the meaning of para. 34. However, if the foreign currency loan contract contains a multi-currency clause (i.e., where an option to convert was already stipulated when the loan was granted that allows the borrower to claim the loan amount in two or more currencies), then where a change is made between the currencies specified in the contract, this does not constitute the granting of a new loan. The local currency of the country in which the borrower is domiciled may constitute one of the currencies agreed upon in this agreement. Where however such a change is linked to the requirement of approval to be given by the credit institution, the granting of a new loan as defined in para. 34 shall be deemed to exist.
38. The credit institution applies sufficient due care in extending existing bullet foreign currency loans. Subject to the following conditions, this shall not be considered as granting a new loan as defined in para. 34:
 - a. the credit institution takes the decision on every extension within the scope of its general due diligence obligations,
 - b. the extension contributes as an adequate means for reducing banking risks as defined in Article 39 BWG,
 - c. The practice of the credit institution of extending loans is not a systematic strategy to avoiding losses or formation of adequate amounts of risk provisioning and write-downs,
 - d. The credit institution's practice of granting extensions does not have any significant negative impact on the quality of the loan portfolio, and
 - e. The practice of granting extensions shall not generally be allowed to lead to the results of bank-internal risk measuring procedures are influenced in an inadequate manner.

Para. 38 point c may in certain cases also be fulfilled by a credit institution even where several positive applications have been made for extensions, if the credit institution has taken the decision to extend the term of the loan on the basis of an individual credit assessment that can be proven on a case-by-case basis - taking into account the legal frameworks and current legal decisions and carries out the actions set out in paras. 40, 43 and 44.

3.2.2 STRATEGIES FOR THE SUSTAINABLE REDUCTION OF THE TOTAL VOLUME OF FOREIGN CURRENCY LOANS AND LOANS WITH REPAYMENT VEHICLES

39. The credit institution has a written and documented strategy for the sustainable reduction of the total volume of consumer foreign currency loans and loans with repayment vehicles.
40. The credit institution informs the consumers depending on the specific risk situation, which differs for every consumer in terms of preferences voiced and information submitted by the consumer, in a comprehensive and objective manner about the possibilities for changing their agreement as well as the opportunities and threats associated with such a change. The aim is for consumers to be able to make an informed decision about possible changes. The information made available to the consumer shall be provided in a transparent, comprehensible and plausible manner, and shall also display a high level of information quality.
41. The credit institution shall ensure that where there is a residual maturity of 7 years or more, that an information letter is sent to the consumers at regular intervals, at least on an annual basis - calculated from the maturity date. As a minimum, it shall contain the following contents pursuant to para. 40:
 - The currently outstanding volume of the loan or of the repayment vehicle
 - A statement regarding the predicted gap at the date of maturity based on at least two scenarios on the basis of realistic assumptions, which depending on the category of the loan (foreign currency loan with/without repayment vehicle, loan in the currency of the country in which the borrower is domiciled or the currency of the borrower's income) contain performance scenarios and/or scenarios in relation to the performance of the foreign currency (upward revaluation). It is recommended that scenarios should also be depicted in the form of graphs.
 - Suggestions where applicable about how risks for consumers can be reduced, as for example listed in para. 44.
 - An invitation to a personal meeting.
42. The credit institutions shall ensure that personal meetings with consumers - where such meetings are conducted following an invitation as mentioned in para. 41 - shall take place using a standardised process and based on fixed operating procedures. The conducting of such personal meetings shall be documented using a summary of the meeting to be signed by the consumer at the end of the meeting. The meeting shall be held with employees who are experienced in matters relating to foreign currency loans and loans with repayment vehicles.
43. Consumers, who by their own initiative actively pursue modifications being made to their loan agreement to reduce their risk arising from foreign currency or repayment vehicle loans, shall be actively assisted by the credit institution, provided that the given legal and economic conditions to be considered permit this.
44. To simplify the decision-making process the credit institution shall offer consumers alternative products, in particular ones that are in the local currency of the country in which

the consumer is domiciled, or in the currency in which the consumer's income is in, to reduce risks (e.g. partial end maturity, so that the capital already accumulated for the repayment vehicle is not required to be realised immediately; or by converting the bullet loan into a loan with a regular repayment). In particular alternative products shall also cover instruments for hedging against exchange rate risk. When offering alternative products, special attention shall be given to additional costs that may potentially have to be borne by the customer, to the specificities of existing products (e.g., write-downs related to redemptions) as well as the current situation of the capital market.

3.2.3 LOANS WITH A CAPITAL ACCUMULATING REPAYMENT VEHICLE

45. The credit institution shall exercise particular care when granting new loans with a capital accumulating repayment vehicle, taking into consideration para. 35, and shall keep a list of products which can be accepted as repayment vehicles. Particular consideration must be given regarding the purpose of the repayment vehicle (covering the volume of the loan at the end of its term).

3.2.4 BULLET LOANS

46. Bullet loans i.e., non-revolving loans (except for foreign currency loans with repayment vehicle components - see paras. 34 to 35), should only be granted in justified cases that correspond to the reality of banking in Europe and for which the repayment of the loan can be guaranteed by means of generally predetermined and available funds.

The following cases are stated as examples:

- financing in relation to property held for investment purposes,
 - lifetime loans / generation credits with real estate property serving as collateral that are consciously not repaid,
 - life value loans: A “reverse mortgage” product with real estate property serving as collateral, where repayment is not necessary while still alive,
 - Lombard loans,
 - pre-financing of insurance policy pay-outs (one-off premiums),
 - loans against pledged on other assets such as e.g., gold, jewellery, works of art,
 - financing of participation schemes,
 - pre-financing of estates,
 - other financing arrangements for wealthy retail depositors (e.g., the property sale of a high value property is only possible to be conducted over the course of a longer time period).
47. In the case of bullet loans with a term of more than five years (excluding standard bank overdraft facilities), at the time of loan origination, a plan must be documented in writing for repaying the loan at the end of its term and made available to the consumer. In the event of

the loan being granted this plan must be linked to a requirement of a routine review process by the back-office unit at least once a year. It is especially necessary to review, as well as to confirm in writing, whether or that the compliance status of the loan repayment plan is still plausible.

4 MARKET TRANSPARENCY

48. Pursuant to Part 8 of Regulation (EU) No. 575/2013 (CRR), to create market transparency, credit institutions shall disclose all significant information that is necessary to "convey their risk profile comprehensively". For this purpose, credit institutions must establish an internal procedure for identifying which information is necessary to comprehensively convey the credit institution's risk profile.
49. Within this context, credit institutions are obliged to also include risks arising from foreign currency loans and loans with repayment vehicles in this fact-finding process, and where applicable to disclose information about these risks, where it would otherwise not be possible without such disclosures to gain a comprehensive impression of the credit institution's risk profile.
50. The following indicators shall be taken into consideration in an alternative manner regarding foreign currency loans and loans with repayment vehicles about whether information is necessary to convey a comprehensive impression of the risk profile of a credit institution:
 - a. the volume of foreign currency loans or loans with repayment vehicles to unhedged borrowers as defined in para. 14 constitutes at least 10 % of the total amount of credit of an credit institution (The "total amount of credit" shall be understood as meaning the total amount of credit granted to non-banks pursuant to Article 2 no. 22 BWG excluding the governmental sector),
 - b. Considerable legal or operational risks are to be expected due to foreign currency loans and loans with repayment vehicles, depending on the materiality of their deduced impact on the credit institution's risk situation,
 - c. The expected coverage gap at aggregate level of loans with repayment vehicles of the credit institution, dependent on the materiality of the impacts on the credit institution's risk situation, is at least 20 %.
51. If, based on the indicators named in para. 50 it becomes apparent during an inspection of the credit institution that a disclosure is necessary to provide a comprehensive picture of the credit institution's risk profile, then credit institutions shall disclose the following information about foreign currency loans and loans with repayment vehicles:
 - Outstanding volume of foreign currency loans and/or loans with repayment vehicles,
 - Proportion of foreign currency loans/loans with repayment vehicles to the total credit portfolio,
 - Significant currencies and their proportion of foreign currency loans,

- The potential aggregated funding gap of the portfolio of loans with repayment vehicles broken down by currencies, based on adequately justified and disclosed assumptions of the credit institution.

The disclosure of the following information shall additionally also be considered in the interests of transparency towards the market:

- Breakdown of the portfolio of foreign currency loans and loans with repayment vehicles by residual maturities or by bullet loans / amortizing loans,
- The level of the foreign currency loans and loans with repayment vehicles classified as non-performing and the total of the resulting write-downs,
- Depiction of the funding structure regarding foreign currency loans.

52. It shall be the responsibility of the credit institution to define the specific contents of disclosure, and shall depend on the nature, scope and complexity of the business activities in relation to foreign currency loans and loans with repayment vehicles as well as the significant risks that are inherent to such transactions.

5 REVIEW BY THE INTERNAL AUDIT FUNCTION

53. The credit institution shall ensure that compliance with the guidelines and strategies arising from these minimum standards is integrated in the regular auditing activities of the internal audit function, with a relevant audit being required to take place at least once per calendar year in the case of material risks arising from foreign currency loans and loans with repayment vehicles for the credit institution.

6 IMPLEMENTATION

54. The FMA Minimum Standards for the Risk Management and Granting of Foreign Currency Loans and Loans with Repayment Vehicles (FMA-FXTT-MS) published on 03.08.2023 replace the version of the FMA-FXTT-MS published on 01.06.2017 from 03.08.2023.